

**2016/2017**  
**AUDITED ANNUAL REPORT**



**EMAKHAZENI LOCAL MUNICIPALITY**

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## ABBREVIATIONS AND ACRONYMS

ANC	- African National Congress
CDW	- Community Development Worker
CDP	- Contractor Development Programme
CFO	- Chief Financial Officer
COGTA	- Department of Cooperative Governance and Traditional Affairs
CWP	- Community Works Programme
DA	- Democratic Alliance
DoRA	- Division of Revenue Act
EEA	- Employment Equity Act
EFF	- Economic Freedom Fighters
ELM	- Emkhazeni Local Municipality
EPWP	- Expanded Public Works Programme
ESKOM	- Electricity Supply Commission
FBS	- Free Basic Services
FMG	- Financial Management Grant
GRAP	- Generally Recognised Accounting Practice
HH	- Household
HIV/AIDS	- Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICT	- Information and Communication Technology
IDP	- Integrated Development Plan
IGR	- Intergovernmental Relations
INEP	- Integrated National Electrification Programme
IWMP	- Integrated Waste Management Plan
KPA	- Key Performance Area
KPI	- Key Performance Indicator
LED	- Local Economic Development
LGSETA	- Local Government Sector Education Training Authority
LM	- Local Municipality
MEC	- Member of Executive Council
MFMA	- Municipal Finance Management Act of 2003
MIG	- Municipal Infrastructure Grant
MM	- Municipal Manager
MMC	- Member of the Mayoral Committee
MPAC	- Municipal Public Accounts Committee
MSA	- Local Government Municipal Systems Act
MSA	- Local Government Structures Act
MSIG	- Municipal Systems & Implementation Grant
NDM	- Nkangala District Municipality
NEMA	- National Environmental Management Act
NERSA	- National Electricity Regulator South Africa
OVS	- Operation Vuka Sisebente
PGDS	- Provincial Growth and Development Strategy
PMS	- Performance Management System
SALGA	- South African Local Government Association
SAPS	- South African Police Service
SCM	- Supply Chain Management
SDBIP	- Service Delivery Budget Implementation Plan

SETA	- Sector Education Training Authority
SLA	- Service Level Agreement
SMME	- Small, Medium and Micro Enterprises
SMS	-Short Message Service
WSA	-Water Services Authority
WSP	-Water Services Provider
WWTW	- Waste Water Treatment Works

## CHAPTER 1 : MAYOR'S FOREWORD AND EXECUTIVE SUMMARY



### 1.1 EXECUTIVE MAYOR'S FOREWORD

It is with great pleasure to present the 2016/17 Annual Report of Emakhazeni Local Municipality, following the new administration which took over on the 03<sup>rd</sup> of August 2016 and duly constituted on the 18<sup>th</sup> August 2016.

Accordingly, the African National Congress overwhelmingly won all the eight wards and consecutively got eleven seats. The Democratic Alliance got three seats and Economic Freedom Fighters got one seat. The total seats are therefore fifteen. The manifesto of the African National Congress with the theme "Together advancing people's power in every community" 'Local government is in your hands', won the hearts and the minds of the masses.

Emakhazeni Local Municipality is a developmental sphere of government striving for the provision of quality basic services to the satisfaction of its communities .It is a Grade 2 municipality with a population of 48 149(census community survey 2015)thus marks the lowest population density of 101.1 people per square kilometer in Nkangala District. On the contrary the municipality has a geographical area of 4737.11km<sup>2</sup> which marks 25.8% of the Nkangala District and thus the biggest in Nkangala District.

### KEY SERVICE DELIVERY PROGRESS

The 2016/17 Annual Report of Emakhazeni Local Municipality has been developed in accordance with the National Treasury's Circular no 63 and is submitted in compliance with Section 46 of the Local Government Municipal System Act No 56 of 2000 and Sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act no 56 of 2003.This report reflects the key strategic and service delivery related projects and programs implemented during the period under review.

The municipality has recorded posture improvements in so far as provision of services to communities. According to Stats S.A 2016 community survey ,the municipality attained 82,4% of the 14 633 households with access to sanitation compared to 78,5% of the 13722 households in 2011, on access to water, the municipality serviced 88,5% households by 2016, whilst 83.9% households had access to electricity and refuse removal was at 85,1% of the 14 633.

The municipality held the strategic Lekgotla in White River, Mpumalanga which saw policy review and formulation, Organizational structure reengineering, cost containment measures introduction, Revenue enhancement, strategy enhancement, strengthening of employer –employee relations etc.

The payment of Eskom dept saw the municipality being removed from the list of municipalities which were to be disrupted with electricity supply to communities. The disruptions would have had a negative impact to communities and the local economy.

The introduction and strengthening of financial system including the electronic system of blocking accounts in arrears, payment of current account, replacement of all conventional electricity meters by pre-paid electricity meters, electricity cut off for all in arrears including government departments, increase in notified maximum demand and data cleansing saw improvement in revenue collection from 54% to 70% by end of June 2017.

The introduction of a new culture of work to employees saw not only improve services to communities but community satisfaction. The monitoring of refuse removal scheduled did not only build confidence in communities but brought certainty in removing refuse on weekly basis.

The two-hours turnaround time in restoring disrupted services such as water, electricity and sanitation did not only strengthen the confidence in communities but removed a social distance between the municipality and communities ,that resulted in the municipality being free from community uprisings for the period under review.

The development of the five year Integrated Development Plan (IDP) which is a single inclusive strategic development document encompassing all planned development within the municipality saw the active involvement of communities in their own development. The IDP has been aligned with all National, Provincial and Local government imperatives.

The alignment between different sectoral plans, programs and projects was achieved during the IDP representative Forum as well as Intergovernmental liaison through the process.

Based on the needs of communities as contained in the IDP and derived from community participation, the following capital projects were identified, budgeted for and prioritized for the period under review namely,

Name of Projects	Ward/area	Budget	Status	Impact
Emthonjeni Extension 4 and Enkanini Township: Provision of waterborne sanitation for 800 stands phase 3	Ward 5	R2 Million	Complete	8 Jobs created, 153 Households benefitted
Emthonjeni Extension 4 and Enkanini Township:Provision of water reticulation for 800 stands phase 3	Ward 5	R1 913 630	Complete	9 jobs created, 137 Households benefitted

Water supply in rural areas phase 8	Ward 1,2,4,5,6 & 8	R3 165 661	Complete	49 Households benefitted
Provision of waterborne sanitation in Sakhelwe Extension 02 Phase 2	Ward 4	R2 767 200	Complete	11 Jobs created, 98 Households benefitted
Paving of roads around Emakhazeni Local Municipality Townships phase 2: Road 1 Emgwenya Phase 2	Ward 7	R104 574	Complete	09 Jobs created, 165 meters of road surfaced
Madala Township: Provision of water reticulation services for 500 stands phase 3	Ward 8	R2 592 645	Complete	03 Jobs created Bulk water storage for 500 stands
Madala Township: Provision of waterborne sanitation for 500 stands Phase 2	Ward 8	R2 295 895	Complete	8 Jobs created Gravity sewer gravity mains, collector line and pump house
Upgrading of water infrastructure for Emgwenya Township Phase 1	Ward 7	R3 299 351	Complete	20 jobs created 218 HH
New sewerage pump station for Mandela village at Siyathuthuka Phase 1	Ward 3	R4 994 842	complete	11 Jobs created Gravity sewer gravity mains, collector line and pump station

The Reconstruction and Development programme, 1994 provided that ,no political democracy can survive and flourish if the mass of our people remain in poverty without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government! This statement remains a reality .The municipality has 23.9% unemployment rate. Accordingly, the municipality reviewed and adopted a contractor development policy and identified anchor projects. The

implementation of contractor development policy read together with the reviewed supply chain management policy saw the application of approximately eighteen sub contractors with grade 1 CIDB. The subcontractors obtained grade 2 CIDB. The total work value was R 3 383 422 – 87 inclusive .

Working together with the private sector especially the mining houses in Emakhazeni, the municipality lobbied and advocated for improvement in the budget of Social Labour Plans for industrialization purposes in future.

The constitution of RSA, Act 108 of 1996, S152 provides inter-alia the municipality must involve community and community structures on matters of local government.

In this report the municipality reviewed and adopted a Public Participation Policy which is being implemented and monitored. The introduction of Operations Vuka Sisebente (OVS) which provides for War rooms which will comprise of all community structures at a ward level strengthened community participation.

The municipality for the purpose of community participation used the following mechanisms; Ward Committees, regular feedback meetings, Local AIDS Council, LED Forum, Council of Stakeholder Forum ,IDP and Budget Consultation meetings ,Mayoral Izimbizo and attendance to council meetings .The above stated mechanisms proved to be effective in closing the social distance between the municipality and community. The Moral regeneration event held every 31<sup>st</sup> December has united all Fraternal organizations resulting in Pastors Forum establishment. The event is gradually creating awareness on morality and consciousness.

The cordial working relations between the employer and employee did not only narrow the gap between the employer and employee but has strengthened the trust resulting in no disruption of services, or tools down for the period under review. The continuous engagement at Local labour Forum has strengthened the relations.

## **CONCLUSION**

Working together with our communities, the municipality remains committed in providing quality basic services to the satisfaction of communities.

Furthermore, the industrializations of our four towns namely, Dullstroom, Entokozweni, Emgwenya and Emakhazeni which see the reduction of unemployment, poverty and inequality.

The introduction of labour intensive policy on roads paving as a strategy will not only see improvement on the condition of our roads but will also result in massive people employed and building their own roads and thus reducing unemployment rate.

**EXECUTIVE MAYOR**  
**CLR T.D NGWENYA**

## COMPONENT B: EXECUTIVE SUMMARY



### 1.2 MUNICIPAL MANAGER'S FOREWORD

Section 156 of the RSA Constitution of 1996 provides that (1) A municipality has executive authority in respect of, and has the right to administer -

- (a) the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and
  - (b) any other matter assigned to it by national or provincial legislation.
- (2) A municipality may make and administer by-laws for the effective administration of the matters which it has the right to administer.
- (5) A municipality has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.

This report is submitted in fulfilment of the above legislation as well as provisions of section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003.

The 03 August 2016 elections ushered in the establishment of a new council which was established on the 18 August 2016. Clr TD Ngwenya was elected Executive Mayor with Clr N Mashele as the Speaker of Council. Reflecting on the year 2016/17, under this leadership, I am pleased to report that the Emakhazeni local municipality registered tremendous progress in so far as financial management, governance, service delivery, public participation and Institutional development.

During the year in question, the municipality continued to with its programme of providing water to farms through boreholes installation. Given the vastness of the area, some farms were serviced through water trucks. The municipality further implemented various water supply projects such that additional beneficiaries in Madala were connected to the reticulation. A number of refurbishment of water treatment works projects in Belfast, Waterval Boven and Dullstroom were implemented. New refuse removal trucks were sourced leading to the extension of refuse removal to residents in Extension 6 and 8. Households with conversional meters were provided pre-paid electricity, this included businesses in line with the council resolution. Municipal fleet, many of which were standing was repaired and is now fully utilised to extend services to the residents.

The audit outcome of 2015/16 financial year was a qualified opinion which is an improvement in the management of municipal finances when compared to the past three years opinion of disclaimer. In 2016/17 the audit opinion for the municipality remained unchanged. Nevertheless, improvements were noted in the revenue collection following radical revenue enhancement strategies adopted by the council in that, all conversional meters were replaced with pre-paid electricity meters. This intervention was implemented for both businesses and households.



In addition, the municipality introduced the intercepting of electricity purchases for customers whose current accounts were not settled. These interventions, have enabled the municipality to honour its payment on the current account to Eskom resulting in the arrear amount not escalating. Although revenue collection improved, the financial performance for the year was steady with only 91% of the revenue as per the adjusted budget was realized. Only 82% of the Operating expenditure budget was spent, which is as a result of the cost curtailment measures that the municipality has implemented.

The municipality is highly dependent on government grants for the implementation of capital programs. The total capital expenditure of R76 427 250 for the 2016/2017 year was funded mainly by grants and donations. This confirms that the municipality is still heavily reliant on Treasury to fund capital expenditure. Nevertheless, Emakhazeni does not have a loan and is able to fund its operations internally.

The municipality continued strengthening public participation which resulted in an increased attendance of council sittings. Unlike before, consultation was extended to residents in farms and business structure. As a way of support to strengthening public participation, the municipality continued transporting residents to community meetings. With the advancement of technology, more and more residents communication with the public is also being facilitated through the use of sms notifications. Participation with external stakeholders was facilitated through the establishment of Task Teams where community stakeholders and organisations were represented.

The municipality continued to strengthen good governance and various council committees were established, namely, the Municipal Public Accounts Committee ( MPAC) , Audit Committee, Risk Management Committee, Rules and Ethic committee. Section 79 committees were also established to play oversight over the Executive and meet in line with the schedule of meetings of Council. These committees monitored the implementation of council resolutions and activities.

The Audit and Risk management committees were chaired by independent members. Both strategic and operational risk registers were developed and approved by Council. Top 5 strategic risk were identified and mitigated as follows:

- Illegal occupation of RDP houses - The Municipality to engage DHS in order to intensify awareness campaigns and there is close monitoring of RDP projects
- Expensive transportation and business cost due to high tollgate fees - Engaged SANRAL on the reduction of toll fees and concessions for regular road users
- Illegal connections of services - Installation of prepaid water meters, Conduct visit and removal of cables where services are bridged
- Non- payment of services by our clients due to inaccurate billing- Continue with data cleansing process and appointment of personnel in Finance
- Aging infrastructure - Continue with the up-grading and refurbishment of the Municipal Infrastructure

The adoption of the revised LED Strategy marked the achievement of a major milestone since it spelled out the developmental priorities of Council. The re-establishment and launching of the LED Forum represented by the various mining companies and other big businesses was attained in 2016/17. The introduction and implementation of Contractor Development Programme further led to the participation of the public in the local economy through sub-contracting as council made it mandatory through policy. The municipality held several business meetings through bilateral with the local business fraternity.

Emakhazeni operated with a full staff complement of senior management with position of Manager Corporate, Technical, Community, Planning and Municipal Manager being filled. Although vacancies in middle management

occurred following resignations of Deputy Manager Budget and Treasury as well as Deputy Manager Expenditure. The impact of this resulted in gaps and loss of institutional memory in the municipal finance section.

The Municipality succeeded in performing both its legislative and executive functions. There are clearly defined roles and responsibilities as directed by the Constitution and the Municipal Systems Act and other legislation governing municipal affairs.

The next year affords the municipality yet another opportunity to deliver and achieve its service delivery targets amidst all the challenges that lies ahead.

I extend my sincere appreciation to all members of the Staff, fellow Senior Managers, Executive Mayor and Council as a whole for its unweaving support to Administration.

**E. K TSHABALALA**  
**MUNICIPAL MANAGER**

### 1.3 MUNICIPAL OVERVIEW

The 2016 Statistic South Africa indicates that Emakhazeni Local Municipality had a population of 48 000 residents which is a slight increase of % when compared to the 2011 census. Unemployment rate is at 26% which indicates an improvement when compared to 30% of 2011 findings.

The 18<sup>th</sup> of August 2016 marks the establishment of the new Council of Emakhazeni Local Municipality following the 3<sup>rd</sup> August 2016 local government elections. The Council is made of 15 Councillors, 5 full time and 10 part time Councillors with the positions of Executive Mayor, Speaker and three Members of the Mayoral Committee appointed on a full time basis. The Council is chaired by the Speaker.

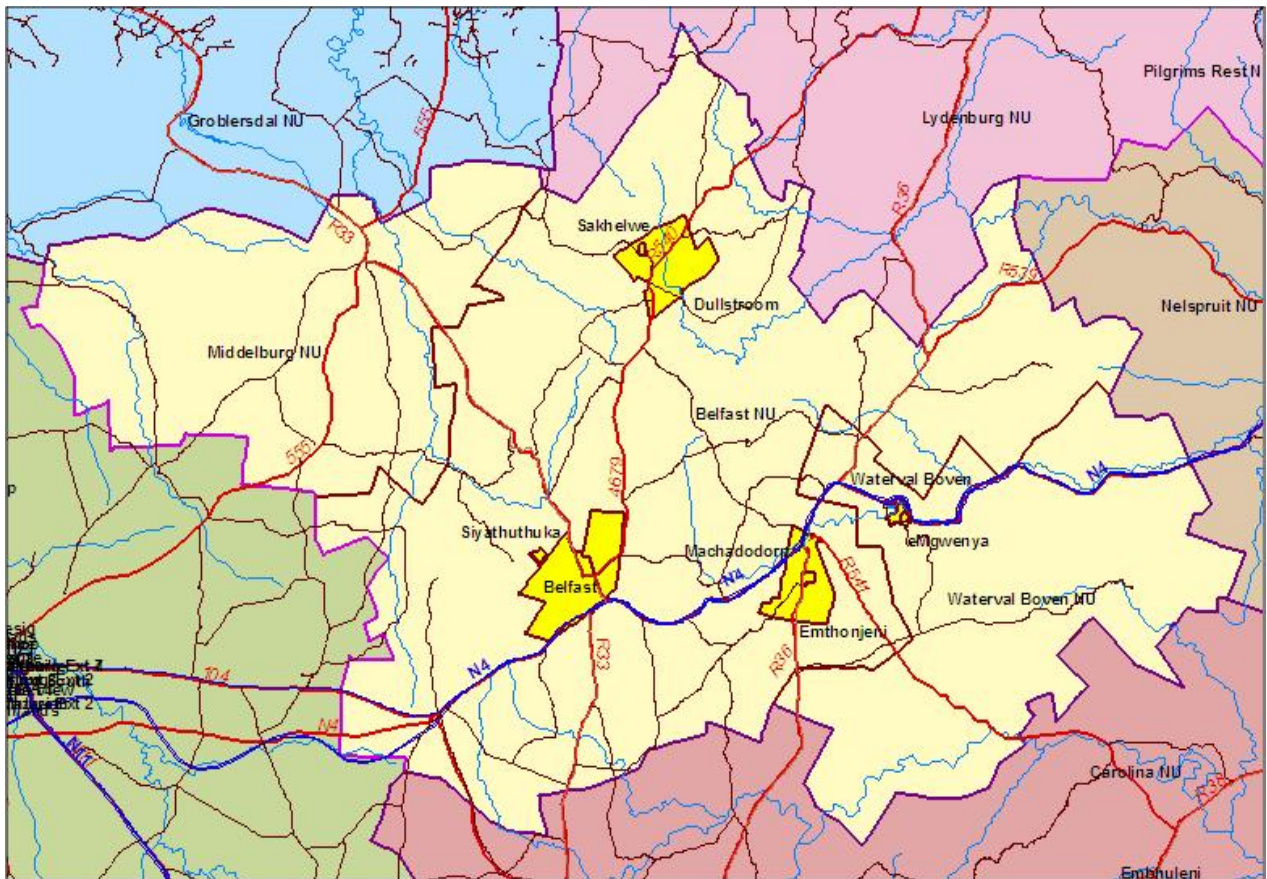
Council delegated some responsibilities to its committees which are in place and functioning effectively. The section 80 committees, chaired by Members of the Mayoral Committee (MMC's), discuss and consider motions and reports submitted by management and make recommendations to the Mayoral Committee.

Section 79 committees chaired by Councillors appointed by Council, play an oversight role on the implementation of Council resolutions. These Committees are chaired by the non-executive Councillors. The Municipal Public Accounts Committee oversees the oversight role on the executive functions of Council to ensure good governance and it submits reports to Council on a quarterly basis with its recommendations. The municipality participate in the Joint Audit Committee established by the Nkangala District Municipality. Members of the Audit Committee are all external from the municipality. Risk Management committee is a committee of management however chaired by an external member whose role is to advise on the risks that the municipality is exposed to and how to minimise and or eradicate them.

Administratively, the municipality is managed by the Municipal Manager with the assistance of the Chief Financial Officer (CFO), Manager Planning and Development, Manager Community Services, Manager Technical Services and Manager Corporate Services responsible for their respective departments.

Emakhazeni municipality is a Category B municipality situated in the Nkangala District of Mpumalanga Province. The municipality is situated between the two major towns namely Middelburg and Nelspruit and is connected to both these centres via the N4 which provides a link with Gauteng to the major tourism centres in Mpumalanga, specifically the Kruger National Park to the east and Pilgrim's Rest, Graskop, Lydenburg and Hoedspruit to the northeast. In the same vein, it must be mentioned that the ELM is a tourist destination in its own right. Emakhazeni can therefore be called the gateway to the major tourism attraction points in Mpumalanga and the eastern parts of Limpopo Province.

Emakhazeni consist of four developmental nodes namely Belfast where the municipal head quarters are located, Dullstroom/Sakhelwe, Machadodorp/ Emthonjeni as well as WatervalBoven/ Emgwenya. There are municipal satellite offices in all these nodes.



**Locality Map of Emakhazeni Local Municipality**

The municipality derives its Legislative and Executive Powers from the Constitution and powers and functions are allocated in terms of Schedule 4B and 5B respectively. During the year in question, the following powers and functions assigned to Local Government were divided between Emakhazeni and Nkangala District:

Powers and functions		Responsible municipality
(a)	Integrated development planning for the District Municipality as a whole, including a framework for integrated development plans of all Municipalities in the areas of the District Municipality	Nkangala District
(b)	Potable water supply systems.	Emakhazeni Municipality
(c)	Bulk supply of electricity, which includes for the purposes of such supply, the transmission, distribution and, where applicable, the generation of electricity	Emakhazeni Municipality
(d)	Domestic waste-water and sewage disposal systems	Emakhazeni Municipality
(e)	Solid waste disposal sites	Emakhazeni Municipality
(f)	Municipal roads which form an integral part of a road transport system for the area of the District Municipality as a whole	Emakhazeni Municipality

(g)	Regulation of passenger transport Services	Emakhazeni Municipality
(h)	Municipal airports	Emakhazeni Municipality
(i)	Municipal Environmental health Services	Nkangala District
(j)	Fire fighting Services	Emakhazeni Municipality
(k)	The establishment, conduct and control of fresh produce markets and abattoirs serving the area of a major proportion of the Municipalities in the District	Emakhazeni Municipality
(l)	The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of the Municipalities in the District	Emakhazeni Municipality
(o)	The receipt allocation and, if applicable, the distribution of grants made to the District Municipality	Nkangala District
(p)	The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the District Municipality in terms of national legislation.	Nkangala District

During the year under review, the Powers and Functions of the municipality were adjusted whereby the Licensing function reverted back to the Provincial Department.

#### 1.3.1 MUNICIPAL POPULATION

Population Distribution by Age 2011 Census						
Years	2001		2011		2016	
Age	Male	Female	Male	Female	Male	Female
0-4	2238	2235	2482	2376	2502	2453
5-9	2128	2250	2146	2066	2473	1961
10-14	2333	2377	2185	1946	1897	1886
15-19	2385	2362	2223	2164	2531	2301
20-24	2110	2026	2507	2293	2235	2749
25-29	1877	2013	2649	2167	2875	2228
30-34	1700	1642	2029	1734	2282	1890
35-39	1341	1449	1693	1522	1867	1670
40-44	1188	1207	1446	1422	1342	1224
45-49	983	1046	1172	1242	1394	1169
50-54	827	799	931	1044	1007	1021
55-59	669	649	780	899	754	933
60-64	477	557	679	676	563	629
65-69	315	385	491	550	427	459
70-74	242	347	330	401	337	392
75-79	138	197	156	248	123	212
80-84	112	207	125	180	28	113
85+	74	123	75	188	67	153
<b>Total</b>	<b>21137</b>	<b>21871</b>	<b>24099</b>	<b>23118</b>	<b>24705</b>	<b>23444</b>
	<b>Grand Totals 43008</b>		<b>Grand Totals 47 217</b>		<b>Grand Totals 48149</b>	

The population growth of the municipality as depicted in the table above shows a sluggish growth which indicates less pressure on the infrastructure of the municipality.

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### **1.3.2 ENVIRONMENTAL OVERVIEW**

The municipality's economic sectors are mainly Mining, Tourism, Trade and community services. The average annual economic growth rate for municipality over a period from 1996 to 2015 has been noticeably low at 2.0%. More than 52% of the municipality's economy is from 3 industries – with mining at around 18.5%, trade 17.0% and community services (17.0%). Fastest growing industries between 2011 & 2015 were construction at 1.5% annually, community services at 1.2% and transport at 1.1%. With a GDP of R 2.88 billion in 2014 (up from R 1.04 billion in 2004), the Municipality contributed 2.45% to the Nkangala District Municipality GDP of R 117 billion in 2014 increasing in the share of the Nkangala from 2.69% in 2004. The municipality's contribution to the Mpumalanga economy is 1% and this translates to the 4<sup>th</sup> smallest economy in the province and 2<sup>nd</sup> smallest in Nkangala. The size of the economy in 2015 was estimated at more or less R2.7 billion in current terms and R2.1 billion in 2010 constant prices. Comparative advantages are in agriculture, mining, utilities, trade & transport. Tourism expenditure in the area as a percent of the local GDP is approximately 21.3%, which was the 3<sup>rd</sup> highest in Mpumalanga

Census data plays a crucial role in the planning and development of the municipality. Although Emakhazeni is the amongst the small municipalities in terms of population, its contribution to the Provincial GDP is 2.4 %.

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### **1.3.3 OVERVIEW OF SERVICE DELIVERY**

The municipality is both a Water Services Authority (WSA) and Water Services Authority hence is mandated to provide water and sanitation services to all communities within its area of jurisdiction. Performance on Water Supply is at a satisfactory level which challenges mainly encountered in Farms and Informal settlements. The response to Farms is through installation of boreholes whilst fast tracking of housing will address the 4% backlog.

Sanitation backlog is higher mainly due to lack of water. The municipality prioritised connecting households in Dullstroom into the sewer network. Honey sucking is still a common practice given the number of septic tanks that are in use.

Eskom is the electricity supplier in Dullstroom/ Sakhelwe as well as Farms whilst the reminder is serviced by the municipality. The tariffs charged by the municipality are regulated by NERSA.

Refuse removal is improving as new houses that were constructed in extension 6 and 7 receive weekly collection from the municipality.

Regrettably, the roads infrastructure is in a dire state as all efforts were directed towards water and sanitation. During 2016/17, Council re-affirmed bringing roads infrastructure into an acceptable level as a priority. Below is the overview of service delivery in the municipality:



Services	Total No of HH	No of HH with access	%	No of HH without access
Water	15201	14 579	96%	622
Sanitation	15201	12 689	83%	2512
Electricity	15201	12 254	80.6%	2 947
Refuse Removal	15201	12 254	80.6%	2 947
Roads	2 617.36KM	24.6KM	0.94%	2592.76KM

#### 1.4 OVERVIEW FINANCIAL HEALTH

The financial health of the municipality is steadily improving in that the audit outcome for 2015/16 was a qualification when compared to a disclaimer of the past three years. Equally, revenue collection has improved although still not at an acceptable rate.

FINANCIAL OVERVIEW: 2016/17			
Details	Original Budget	Adjustment Budget	Actual
Grants	89 033 067,00	89 033 067,00	88 283 067,00
Rates and Taxes	106 613 223,42	121 167 989,00	139 482 125,00
other	76 442 240,58	59 421 035,00	44 733 214,00
Subtotal	272 088 531,00	269 622 091,00	272 498 406,00
Less Expenditure	-260 881 000,00	-264 301 000,00	-304 795 009,00
Net Surplus (deficit)	11 207 531,00	5 321 091,00	-32 296 603,00

Operating Ratio's			
Details	Expected Norm	Actual	Variance
Employee Cost	25% - 40%	24%	
Repairs and Maintenance	8%	0%	
Finance Charges and Depreciation			

Total Capital Expenditure 2016/17 and 2015/16		
Details	2016/17	2015/16
Original Budget	75 841 250,00	35 925 000,00
Adjustment Budget	76 427 250,00	35 986 000,00
Actual	55 104 789,00	32 452 180,00



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## **1.5 OVERVIEW OF ORGANISATIONAL DEVELOPMENT**

The 2016/17 organogram provided for 507 permanent positions and at the end of the financial year, 384 positions were filled with a vacancy rate of 22%. During the year under review, Emakhazeni local municipality had all positions of senior Managers filled.

The municipality underwent planning for organizational restructuring which would led to the amalgamation of responsibilities in so far as the functions of Community, Planning and Technical Services which were then amalgamated under a new department called Infrastructure, Planning and Social Development. This shift would result in the reduction of Section 56 position being reduced from five to three. As at 30 June 2017, all Section 54/ 56 positions were not filled yet as the recruitment processes were still underway. Positions of Community Services Manager as well as that of Planning and Development Manager were phased out in May and June 2017 respectively. .

During the year in question, the municipality lost three critical personnel in Finance, Deputy Managers: Income, Expenditure and Budget who resigned at different internals. The Risk Officer also resigned. This created vacuum and instability temporarily never the less, as at 30 June 2017, all these posts were filled.

Negotiations for cascading Performance Management System to lower staff remained one of the achievable milestone during the year under review and wider consultation with Deputy Managers and level 3 officials were successful. In 2017/18, roll out of cascading will be undertaken.

2016/17 marks the first year after a few years of instability of relative steadiness. Not a single municipal employee protest was encountered. This is a huge achievement when compared to the past four years of the municipality.

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## **1.6 AUDITOR GENERAL REPORT**

The report will be inserted after the Audit by the Auditor General.

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## **1.7 STATUTORY ANNUAL REPORT PROCESS**

According to the Municipal Finance Management Act, Act 56 of 2003, the Annual Report of a Municipality must be tabled in the Municipal Council on or before 31 January each year. In order to enhance Council's oversight function, the Municipality should submit their Draft Annual Reports as soon as possible after the financial year-end, ideally this ought to be the end of August.

The anticipated process for the creation, submission, review and approval of the 2016/17 Annual Report<sup>1</sup> is set out in the table below.




No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 <sup>th</sup> quarter Report for previous financial year	
4	Submit draft 16/17 Annual Report to Internal Audit and Auditor-General	
5	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
6	Mayor tables the unaudited Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
10	Municipalities receive and start to address the Auditor General's comments	November
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	
14	Council adopts Oversight report	December
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input.	January

## CHAPTER 2 – GOVERNANCE

### COMPONENT A: GOVERNANCE STRUCTURE

#### 2.1 POLITICAL GOVERNANCE STRUCTURE

Council is the highest decision making body in the municipality and council sittings are chaired by the Speaker. The Mayoral Committee chaired by the Executive Mayor consists of three Members who are chairpersons of the three Section 80 portfolio Committees. Emakhazeni's council consisted of 15 Councillors, 5 full time and 10 part time Councillors who performed the following functions:

		
CLR T.D NGWENYA: EXECUTIVE MAYOR		
		
CLR M MASHELE: SPEAKER		
		
CLR. M. KAMBULA MMC: LED/Planning, Tech & Community	CLR. S.S. MTHIMUNYE MMC: Finance & Economic Affairs	CLR. T.E SCHEFFERS MMC: Corporate Services

The council is the highest decision making structure in the municipality and is chaired by the Speaker. Both the Speaker and three Members of the Mayoral Committee are appointed on a full time basis. The committees of Council are in place and functioning effectively. Section 80 committees are chaired by Members of the Mayoral Committee (MMC's), who are responsible to consider motions and reports submitted by management and make recommendations to the Mayoral Committee.

The Section 79 committees are chaired by Councillors appointed by Council, play an oversight role on the implementation of Council resolutions. These Committees are chaired by the non-executive Councillors.

The Municipal Public Accounts Committee oversees the oversight role on the executive functions of Council to ensure good governance and it submits reports to Council on a quarterly basis with its recommendations.

The following Councillors were represented in the respective capacity as indicated below:

<b>COUNCIL AS AT 30 JUNE 2017</b>			
<b>NAME OF COUNCILLOR</b>	<b>CAPACITY</b>	<b>PARTY</b>	<b>WARD</b>
Ngwenya Thomas Diphepheng	Executive Mayor	ANC	2
Mashele Nomhle Adelaide	Speaker	ANC	5
Kambula Maria	MMC: Technical & Community Services	ANC	1
Mthimunye Sibusiso Seun	MMC: Finance & Economic Affairs	ANC	4
Scheffers Thandiwe Elinah	MMC: Corporate Services	ANC	8
Ntuli Michael Petros	Councillor	ANC	2
Masina Xolile Duncan	Councillor	ANC	3
*Makua Angela Ntombikayise	Councillor	ANC	6
Masha Nelson Themba	Councillor	ANC	7
Ndlovu Rose	Councillor	ANC	7
Ngomane Thamsanqa Charly	Councillor	ANC	1
Botha Amanda Albertina	Councillor	DA	7
Tshabalala Samuel Siphon	Councillor	DA	8
Scheffers Desmond Matthies	Councillor	DA	8
Skhosana Sizane Isaac	Councillor	EFF	1

\* Sadly, Cllr Makua of the ANC passed away on 19 March 2016. Cllr Duma was later elected the Ward Councillor following the by-elections held in June.

## 2.2 ADMINSTRATIVE GOVERNANCE STRUCTURE

The administration component of Emakhazeni municipality is headed by the Municipal Manager, who has five directors who report directly to her in terms of Section 56 of the Municipal Systems Act.

CAPACITY	RESPONSIBILITY
Municipal Manager Mrs. E.K. Tshabalala	Internal Audit, Risk Management, Performance Management, Public Participation, Transversal Issues and Youth also reports directly to the Municipal Manager
Chief Financial Officer Mrs. M.M. Ngwenya	Income, Expenditure, Supply Chain Management, Budget and Financials
Manager Corporate Services: Mr. M.I. Abdullah	Legal Services, Labour Relations and Compliance, Human Resources Management, Information Communication Technology, Records Management and Administration
Manager Technical Services: Mr. L.O.Sindane	Water, Sanitation, Electricity, Roads and Storm water
Manager Community Services Mrs. N.Singh	Waste Management, Public Safety and Security, Licensing, Environmental Management and Public Amenities.
Manager Planning & Development: Mr. L.D. Mkhonza	Integrated Development Planning, Local Economic Development, Urban and Rural Development

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATIONS

The Municipality has the right to govern on its own the affairs of the local community, subject to national and provincial legislation. Municipalities must also co-operate with other spheres of government in a manner which fosters friendly relations, consult and be supportive on matter of common interest, adhere to agreed procedures, and avoid legal proceedings against each other. Various Inter-Governmental Structures were established and in place as follows:

#### National Intergovernmental Structures

- SALGA National Assembly
- Municipal Managers National Forum

#### Provincial Intergovernmental Structures

- Premier's Coordinating Forum
- SALGA Working Groups
- Municipal Managers Forum
- Chief Finance Officers Forum
- Provincial & District IDP Managers Forums
- Provincial Technical Forum
- Disaster Management Forum
- Risk Officers Forum
- Audit Executive Forum

### District Intergovernmental Structures

- Executive Mayors Forum
- Speakers Forum
- Chief Whip Forum
- Municipal Manager's Forum
- IDP Forum
- LED Forum
- HIV/AIDS District Council

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### Overview of Public Accountability and Participation

Contrary to the previous governance, one of the unique characteristics of democracy is the extent to which public participation has been elevated .

#### 2.4 PUBLIC MEETINGS

In order to promote public participation, the municipality held public feedback meetings bi-monthly in all wards aimed to achieve the following:

- To allow community members an opportunity to raise issues for the attention of the municipality.
- To give feedback on issues previously raised
- Encouraging communities, stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the Municipality

#### COMMUNITY FEED BACK MEETING

Nature/ Purpose of the meeting	Date	Ward	Number of Community members in attendance
Report Back meeting	10 October 16	Ward 1	48 People
	23 April 17		79 People
	31 May 17		86 People
	14 June 17		72 People
	11 October 2016	Ward 2	44 People
	15 December 2016		10 People
	21 June 2017		32 People
	12 October 2016	Ward 3	82 People
	22 November 2016		67 People
	14 December 2016		28 People
	23 May 2017		59 People

	22 June 2017		63 People
	6 October 2016 7 December 2016 14 June 2017 19 June 2017	Ward 4	99 People 58 People 64 People 13 People
	4 October 2016 27 March 2017 Sycamore 27 March 2017 hemlock 23 May 2017 22 June 2017	Ward 5	56 People 62 People 45 People 69 People 49 People
	5 October 2016 23 May 17 22 June 17	Ward 6	67 People 69 People 63 People
	3 October 16 2 May 17 15 June 17 21 June 17	Ward 7	62 People 44 People 55 People 18 People
	13 October 2016 22 May 2017	Ward 8	69 People 45 People

### IDP Consultative Meeting

IDP Consultative Meetings consist of two phases, the first phase took place during the second quarter which is October / November 2016 and the second phase was held during the third quarter February / March in all wards including farm areas. The meetings were held as follows:

Nature/ Purpose of the meeting	Date	Ward	Number of Community members in attendance
IDP Participation	13 February 2017	Ward 1	81 People
	19 February 2017		54 People
	14 February 2017	Ward 2	23 People
	19 February 2017		118 People
	16 February 2017	Ward 3	38 People
	13 February 2017	Ward 4	43 People
	23 February 2017		15 People
	15 February 2017	Ward 5	30 People
	16 February 2017	Ward 6	96 People
	19 February 2017		34 People
	23 February 2017		14 People
	15 February 2017	Ward 7	75 People
	23 February 2017		36 People
	14 February 2017	Ward 8	65 People
	19 February 2017		59 People
	23 February 2017		26 People



## Budget Consultative Meetings

We have successfully held Budget consultative meetings in all wards during the last quarter (May) as per the following schedule:

Nature/ Purpose of the meeting	Date	Ward	Number of Community members in attendance
Budget consultation	3 March 17	Ward 1	22 People
	7 May Farm	Ward 2	69 people
	25 April 17	Ward 3	11 People
	2 May 17(Town) 30 April 17 (Farm) 25 May 17 (Sakhelwe)	Ward 4	15 People 12 People 57 People
	25 April 2017	Ward 5	39 People
	26 April 17 8 May 17 Town 7 May 17	Ward 6	67 People 17 People 28 People
	3 May 17	Ward 7	21 People
	9 May 17 (Town)	Ward 8	35 People

## WARD COMMITTEES

Following the 3 August Local Government elections, Ward Committees were established in all 8 wards. COGTA conducted training of Ward Councillors and Ward Committee and CDW members from 2 , 3 and 6 March 2017. Ward committees are well represented in terms of equity and inclusiveness. They were elected by the broader community following community meetings to represent the community in engaging council on matters pertinent to the ward. They engage the community through weekly service delivery meetings and reports back to the community. Below is the number of Ward Committee meetings held during the year under review:

Ward Councillor	Ward Number	Number of meeting attended
Clr T C Ngomane	Ward 1	9
Clr M P Ntuli	Ward 2	8
Clr XD Masina	Ward 3	7
Clr SS Mthimunya	Ward 4	6
Clr J Duma	Ward 5	9
Clr N A Mashele	Ward 6	6
Clr N T Masha	Ward 7	5
T E Scheefers	Ward 8	3

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## COMPONENT D: CORPORATE GOVERNANCE

During the year under review, the following key governance structures were in place to strengthen the municipality:

- Shared Audit Committee, which operates in accordance with approved terms of reference.
- Internal audit function, which operates in terms of an approved internal audit plan.
- Risk Management Committee
- Internal Risk Management Office which conducted risk assessment and developed risk management strategy and monitoring of key risks.
- An approved Fraud Prevention Plan exists.
- A strategic plan was prepared and approved for the financial year, which forms the basis for performance monitoring against the SDBIP, the municipal mandate, predetermined objectives, outputs, indicators, and targets.
- A performance management system is in place.
- An approved system of delegation.

## 2.6 RISK MANAGEMENT

Section 62 (1) (c) (i) of Municipal Finance Management Act (MFMA) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. The Council approved its Risk Management Policy, Risk Management Committee Charter and Risk Management Strategy in place. A Risk Management Committee that advises management on the overall system of risk management has been

appointed and meets on a quarterly basis. An external Chairperson for the Risk Management Committee was appointed to add value to risk management at ELM.

Risk Management Unit conducted risk assessments (Strategic, MSCOA, ICT, and Operational) for all departments to identify and mitigate risks that negatively affected the achievement of the Municipality's strategic objectives. Furthermore action plans to address high risk areas were developed and progress made on identified risk areas were evaluated on a quarterly basis. Risk awareness workshops were conducted to create awareness of risk management to all officials of Emakhazeni Local Municipality.

The following significant risks were identified during 2016-17 financial year:

NO	RISK	ROOT CAUSE	MITIGATION
1	In conducive environment to create public safety	1. Delays in promulgation of by-laws.	1.1 Ensure Public consultation on draft by-laws
2	Inadequate delivery of Integrated Human settlement	1. Inadequate submission of building plans. 2. Insufficient awareness campaigns on housing policies. 3. Illegal occupation of RDP houses 4. Farm evictions	1. Improve monitoring and issue compliance notices 2. The Municipality to engage DHS in order to intensify awareness campaigns 3.1 Close monitoring of RDP projects 3.2 Improved turnaround times to inform beneficiaries on the allocation of RDP 5. The municipality collaborated with Dept. Rural Development on awareness on rights of farm dwellers
3	Inability to improve and stimulate the local economy	Expensive transportation and business cost due to high tollgate fees	Engage SANRAL on the reduction of toll fees and concessions for regular road users
4	Unsustainable financial management	1.Inability to record meter readings in all metered houses and businesses 2.Actual cash not meeting the budget projections 3.Illegal connections of services 4.Non- payment of services by our clients 5. Incorrect data resulting into inaccurate billing. 6. Inadequate implementation of the revenue enhancement strategy 7. Distribution losses (Water & Electricity) 8. Inadequate implementation of systems to detect by-passers of services	1. Installation of prepaid water meters 2,3,4 & 6. Develop a checklist to monitor progress on implementation of revenue enhancement strategy (Standing items during MANCO meetings) 5. Continue with data cleansing exercise 8.1 Installation of bulk meters and installation of meters in Municipal owned properties 8.2 Installation of meters in unmetered houses ( <b>Emgwenya and Sakhelwe</b> ) 9. Installation of advance meters for water and electricity
5	Unsustainable provision of services	1. Aging infrastructure 2. Inadequate plant and equipment	1. Continue with the up-grading and refurbishment of the Municipal Infrastructure 2. Maintenance and Procurement of the Plant and equipment

## 2.7 ANTI-CORRUPTION AND FRAUD

Section 115 (1) of the Municipal Finance Management Act state that the Accounting Officer must take reasonable steps to ensure proper mechanisms and separation of duties in a Supply Chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices. It is the Municipality's policy position that no fraud will be tolerated, all alleged fraud should be investigated and all transgressors shall be punished both through disciplinary and legal channels to the fullest extent of law.

Aiming to create a culture which is intolerance to unethical conduct of fraud and corruption, a number of awareness sessions were conducted to raise awareness on the policy, plan and staff responsibilities to fraud prevention and reporting activities. An awareness session on whistle blowing policy was conducted to create a platform for officials to make confidential disclosure about suspected fraud and corruption.

The following policy and strategies listed in the table below have been adopted and were implemented during the financial year:

NO	POLICY/ STRATEGY	DATE OF ADOPTION
1.	Supply Chain Management policy	
2.	Fraud And Prevention Policy And Plan	24/11/2016
3.	Fraud And Corruption Prevention Strategy	24/11/2016
4.	ELM Whistle Blowing Policy	24/11/2016

The main principles underpinning the policy and the Plan are:

- Creating a culture which is intolerance of fraud and corruption
- Deterrence of fraud and corruption
- Preventing fraud and corruption
- Detecting of fraud and corruption
- Investigation detected fraud and corruption
- Taking appropriate action against fraudsters and corrupt individuals such as through prosecution and disciplinary action and;
- Applying sanctions which include redress of financial losses.

## 2.8 SUPPLY CHAIN MANAGEMENT

Emakhazeni Municipality received a qualified audit opinion which is an improvement when compared to audits outcomes of the past three financial years. In order to eliminate findings in the Supply Chain Management, the municipality strives to fully comply with the MFMA S110-119, SCM Regulations 2005, and relevant MFMA circulars setting out the required processes and guidance manuals which assist to ensure that SCM arrangements provide appropriate goods and services, offer best value for money, and minimise the opportunities for fraud and corruption.

Council developed a Supply Chain Management (SCM) Policy and practices in compliance with the guidelines set down by the Supply Chain Management Regulations, 2005, which was approved with effect from 1 March 2006. The new Preferential Procurement Regulations, 2017, which came into effect from 1 April 2017 was incorporated on the reviewed policy that was effected as at 1 April 2017 and adopted. The SCM Policy incorporating the abovementioned regulations, as well as all other relevant legislation, regulations and circulars and are annually reviewed with the budget process.

The municipality's Supply Chain Management Unit had been successfully registered as a state organ under the National Treasury's eTender, as well as the Central Supplier Database portal, and tenders are being advertised through the same system to this end.

The Bid Committee system of council, is functional, as all committee members were appointed by the Municipal Manager in writing. It be noted that committee members were also trained by Mpumalanga Provincial Treasury.

## 2.9 BY-LAWS

Section 11(3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation. Good governance requires legal framework that are enforced impartially. The municipality has since developed and adopted the following by-laws:

By-Laws introduced during Year 2016-17					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted (Yes/No)	Date of Public Participation
Credit Control By-law	Credit Control By-law	Yes		Yes	08 July 2016
Electricity Supply By-Law	Credit Control By-law	Yes	29 June 2017	No	All the above by laws have been to public participation 30 June 2017, Awaiting Council for approval prior gazette

### COMMENT ON BY-LAWS

The promulgation of the Credit Control By-law was an important milestone strengthen the implementation of the by-law. The MSA provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation. The above By-Laws were approved by Council as drafts and have been submitted to the magistrate court for determination of fees.

## 2.10 WEBSITES

Emakhazeni's website can be found on [www.emakhazeni.gov.za](http://www.emakhazeni.gov.za)

<b>Municipal Website: Content and Currency Material</b>		
<b>Documents published on the municipal website</b>	<b>Yes/No</b>	<b>Publishing Date</b>
Current Annual and adjustments and all budget related documents	Yes	June 2016
All current budget related policies	Yes	1 July 2015
The previous Annual Report 2014/2015	Yes	26 August 2015
The Annual Report published	Yes	23 August 2015
All current performance agreements required in terms of section 57 (1)(b) of the Municipal Systems Act and resulting scorecards	Yes	24 July 2015
All service delivery agreements (2015/2016)	Yes	July 2015
All long term borrowing contracts (2015/2016)	No	Not applicable
All supply chain management contracts above a prescribed value(give value) 2015/2016	Yes	Published on Tender web page, as when contracts are awarded.
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during 2015/2016	No	Not applicable
Contracts agreed in 2015/2016 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	Published on Tender web page, as when contracts are awarded.
Public Private Partnership Agreements referred to in section 120 made in 2015/2016	Yes	Published on Project web page, as when agreements are made.
All quarterly reports tabled in the Council 52(d) during 2015-16	No	

#### COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The website is very instrumental in facilitating communication with the public. Comments and complaints were also raised through this medium of communication.

### 2.11 PUBLIC SATISFATION SURVEY ON MUNICIPAL SERVICES

No public satisfaction survey was conducted in 2016/17 financial year. Although that was the case, the municipality remained response to the issues raised by the community through various community consultative meetings.

### 2.12 ALL MUNICIPAL OVERSIGHT COMMITTEES

Council established Municipal Oversight Committees aimed to provide accountability and transparency in matter of Council.

<b>Committees (other than Mayoral Committee/Executive Committee) and purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Section 80 Committees	To discuss and consider items submitted by Administration and Councillors and make recommendations to the Mayoral Committee. Section 80 is chaired by the MMC responsible for the portfolio.
Section 79 Committees	To monitor and play an oversight role on the implementation of Council resolutions. This committee is chaired by the Cllr other than the MMC in order to ensure accountability.
Municipal Public Accounts Committee	To play an oversight role as per the guideline for Municipal Public Accounts Committee. MPAC reports directly to Council.
Rules and Ethics Committee	To investigate and report to Council any suspected breaches of Code of Conduct by Councillors
Joint Audit Committee	Advise the municipal council, on matters relating to internal financial control and internal audits; risk management; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; and any other issues referred to it by the municipality.
Risk Management Committee	The responsibility of the Risk Management Committee is to lay an oversight role on the implementation of remedial actions on risks identified.

Whilst all the above committees are chaired by one of the Councillors from Council, Audit and Risk Management committees are chaired by an external member and accounts reports directly to Council. Amongst others' these committee's seek to advise management on the effective and efficient use of municipal recourse.



## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

### (PERFORMANCE REPORT PART I)

#### COMPONENT A: BASIC SERVICES

##### INTRODUCTION TO BASIC SERVICES

Emakhazeni municipality provided water, sanitation, and electricity as main basic services rendered under Technical Services of the municipality. In the main, funding for the capital projects under this department is from Municipal Infrastructure Grant whilst the Operations and Maintenance cost are provided from internal sources.

##### 3.1. WATER PROVISION

The municipality is an accredited Water Services Authority in terms of the National Water Act (Act 36 of 1998) and provides potable water to all the towns and settlements in its area of jurisdiction. It provides a comprehensive water provision service from source to tap since none of the water functions are currently being outsourced.

Water is purified at four systems which are Emakhazeni, Entokozweni, Emgwenya and Dullstroom Water Works and 96% of residents have access to 25L/day as per the Water Services Development Plan (WSDP). The remaining population access water through tap water supply within 200 meter radius as they are rural. Water tinkering of about 16 760 kiloliters per week is supplied to rural communities.

Council took a decision to have boreholes installed in rural farms and this project which is in its eight phase saw number of households accessing water closer by.

The quality of the drinking water supply is tested monthly through an Independent laboratory.

Water Services					
Capital projects	budget	Adjustment budget	Actual expenditure	Variance from original budget	Total project value
Upgrading of WTW (Dullstroom)	R3 000 000 - 00	-	R3 000 000 - 00	0%	R3 000 000 - 00
Water supply in rural areas phase 8	R 3 165 661 - 79	-	R 3 165 661 - 79	0%	R 3 165 661 - 79
Water Provision for 800 stands in Emthonjeni and Enkanini Extension 4	R 1 913 630 - 01	-	R 1 913 630 - 01	0%	R 1 913 630 - 01
Upgrading of water infrastructure for Emgwenya Township Phase 1	R3 299 351 – 30	-	R3 299 351 – 30	0%	R3 299 351 – 30
Water Provision for in Madala Township	R 2 592 645 – 00	-	R 2 592 645 – 00	0%	R 2 592 645 – 00

##### COMMENT ON WATER USE BY SECTOR:

Water Service Delivery Levels		
Households		
Description	2015/16	2016/17
	Actual No.	Actual No.
<b><u>Water: (above min level)</u></b>		
Piped water inside dwelling	8624	11 557
Piped water inside yard (but not in dwelling)	5341	1390
Using public tap (stand pipes )		
Use in public tap (within 200m)	725	1686
<i>Minimum Service Level and Above sub-total</i>	14 579	14 633
<i>Minimum Service Level and Above Percentage</i>	96.6	88
<b><u>Water: (below min level)</u></b>		
Using public tap (more than 200m from dwelling)	198	198
Other water supply (more than 200m from dwelling)	89	89
No water supply	642	642
<i>Below Minimum Service Level sub-total</i>	929	929
<i>Below Minimum Service Level Percentage</i>	3.4%	3.4%
<b>Total number of households*</b>	<b>0</b>	<b>0</b>

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2016/17	(1686) 11,5%	(12 947) 88%	(14633) 99%
2015/16	(606) 4%	(13 973) 92%	(14 579) 96%
2014/15	(342) 2.4%	(13222) 93.2	(13 564) 95.6%

Employees: Water Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	6	6	0	0%
4 - 6	10	16	14	2	12.5%
13 - 15	0	1	0	1	100%
<b>Total</b>	<b>14</b>	<b>23</b>	<b>20</b>	<b>3</b>	<b>13%</b>

Financial Performance Year : Water Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	13 155	16 637	16 637	–	100,00%
Expenditure:					
Employees	–	3 399	3 354	35	98,96%
Repairs and Maintenance	–	806	906		100,00%
Other	6 623	4 874	4 874		100,00%
<b>Total Operational Expenditure</b>	6 623	9 080	9 135	–	100,00%
<b>Net Operational Expenditure</b>	6 532	7 558	7 503	–	100,00%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					<i>T 3.1.8</i>

## COMMENTS ON WATER SERVICES PERFORMANCE OVERALL

Whilst the municipality was able to perform the water supply function, it can still improve in the following:

- Instances where the municipality quality failed to achieve certain standards.
- The municipality did not obtain Blue Drop for all the water plants.

## 3.2 WASTE WATER (SANITATION) PROVISION

### INTRODUCTION TO SANITATION PROVISION

The municipality has four Waste Water Treatment Works namely in Dullstroom, Emakhazeni, Emthonjeni and Emgwenya which are linked to the treatment works and pump stations . According to the census 2016 the municipality was servicing 12 060 households with a backlog of 12,4%. There are some areas which still rely on septic tanks, notably Dullstroom and pockets of areas. The servicing of septic tanks becomes increasingly demanding during the peak holiday season when most of the holiday homes are occupied and require more frequent emptying. The Municipality does not have adequate capacity and resources available to cope with such demand. Equally, due to water shortages, acceleration of provision of waterborne sanitation in farming communities remains a challenge.

The municipality was experiencing some spillages and issues of the non-compliant effluent to plant license conditions and SANS 241 . The engagements with the Department of Water and Sanitation yielded positive outcome and allocation of R30 million has been committed for future projects.

Households – Sanitation Service Delivery Levels Below the minimum			
Description	2016/2017		
	Actual No	Original Budget	Adjusted Budget
<b>Formal Settlements</b>			
Total Households	12 060	R8 063 095 – 00	R8 063 095 – 00
Households below minimum service levels	1817		
Proportion of households below minimum service level	12,4%		
<b>Informal Settlements</b>	<b>312</b>		
<b>Total Households</b>	<b>312</b>		
<b>Households below minimum service level</b>	<b>2.05%</b>		
<b>Proportion of households below minimum service level</b>			

Waste Water Sanitation Services Policy Taken from IDP						
Service Objectives	Service Indicator	Outline service targets	2015/2016		2016/2017	
			Target	Actual	Target	Actual
To ensure provision of affordable and sustainable basic services	Number of reported sewer blockages resolved by 30 June 2017	All reported sewer blockages resolved by 30 June 2017	100%	100%	-	-
To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Number of monthly WWTP effluent quality reports submitted by 30 June 2017	12 WWTP effluent quality reports to be submitted by 30 June 2017	-	-	12	11 WWTP effluent quality reports were submitted by 30 June 2017

Capital Projects : Waste Water Services					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Emthonjeni Ext. 4 and Enkanini Township: Provision of waterborne sanitation for 800 stands phase 2	R2 000 000.00	-	R2 000 000.00	0%	R2 000 000.00
Sakhelwe Township: Provision of waterborne sanitation phase 1	R 2 767 200.00	-	R 2 767 200.00	0%	R 2 767 200.00
Madala Township: Provision of waterborne sanitation for 500 stands Phase 2	R3 295 895-25		R3 295 895-25		R3 295 895-25

Employees: Sanitation Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	4	0	0%
4 - 6	12	16	15	1	6%
<b>Total</b>	<b>14</b>	<b>20</b>	<b>19</b>	<b>1</b>	<b>5%</b>

Financial Performance Year 0: Sanitation Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	076	283	283	154	23,55%
Expenditure:					
Employees	842	009	009	936	3,63%
Repairs and Maintenance	220	535	462	226	51,07%
Other	215	146	147	151	86,86%
<b>Total Operational Expenditure</b>	277	689	618	313	36,07%
<b>Net Operational Expenditure</b>	800	593	665	841	18,87%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.2.8

## COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL

Technical services still have a long way owing to the following challenges:

- Critical shortage of technical capacity with requisite experience
- Insufficient funding to provide equal services to entire community
- Old infrastructure resulting in effluent, not to special standards

## 3.3 ELECTRICITY

Emakhazeni municipality is grappling with the provision of sustainable and affordable electrical services to its residents. This is necessary for any vibrant and growing economy in order to attract development which is much needed given the limited growth especially in so far as industries is concerned.

Whilst Emakhazeni Local Municipality is a license holder in terms of the electricity regulations act no.4 of 2006 to distribute electricity to all areas in Emakhazeni, Eskom continues to supply Dullstroom and Farms directly. This has negative impact to the municipality's revenue since, by and large, Eskom customers are not cooperative when coming to pay municipal services.

Currently the Municipality has adequate capacity to deliver bulk electricity services for any current or future residential or commercial developments in the area. Whilst Emakhazeni was threatened with the possible disconnection of electricity, the municipality working together with Eskom made serious strides in reducing the municipal account. The municipality has been adjusted to the correct tariff and following an application process, the nominated maximum demand for three out of four points in Emakhazeni has been correctly adjusted. As a result, the municipality managed to keep its 2017-18 electricity tariff marginally lower.

Unlike in major cities and town, in Emakhazeni's major electricity users are domestic users then followed by businesses. Although these users are less than 15 000 households, payment for services consumed remains a challenge and this has a huge impact since electricity is one of the major income generators for the Municipality.

Electricity Service Delivery Levels		
Households		
Description	2015/16	2016/17
	Actual No.	Actual No.
<b><u>Water: (above min level)</u></b>		
Piped electricity inside dwelling	8624	11 557
Piped water inside yard (but not in dwelling)	5341	1390
Using public tap (stand pipes )		
Use in public tap (within 200m)	725	1686
<i>Minimum Service Level and Above sub-total</i>	14 579	14 633
<i>Minimum Service Level and Above Percentage</i>	96.6	88
<b><u>Water: (below min level)</u></b>		
Using public tap (more than 200m from dwelling)	198	198
Other water supply (more than 200m from dwelling)	89	89
No water supply	642	642
<i>Below Minimum Service Level sub-total</i>	929	929
<i>Below Minimum Service Level Percentage</i>	3.4%	3.4%
<b>Total number of households*</b>	<b>0</b>	<b>0</b>

Electricity Services Policy Taken from IDP						
Service Objectives	Service Indicator	Outline service targets	2015/2016		2016/2017	
			Target	Actual	Target	Actual
To ensure provision of affordable and sustainable basic services	Number of electrical outages and interruptions resolved by 30 June 2017.	Resolve all outages by 30 June 2017	100% households and businesses to be supplied with electricity	100% households and businesses to be supplied with electricity	-	-
To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	Number of households provided with electrical services to eradicate backlogs by 30 June 2017	-	-	421 households provided with electrical services to eradicate backlogs by 30 June 2017	421 households were provided with electrical services to eradicate backlogs by 30 June 2017

Capital Projects : Electricity					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance	Total Project Value
Replacement of 935 conventional meters with prepaid (Conlog Split Smart Meters) and the Installation of bulk infrastructure and connections for the electrification of 20 households	R 1 682 916.86		(R 865, 843.23 Vat incl)		
Appointment as a service provider for the electrification of 245 households to extension 7 at Siyathuthuka (Belfast) – package 2	R 3 130 000.00 (Vat Excl)		R 2 330 634.15 Vat excl		

Employees: Electricity Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	3	1	2	66%
10 - 12	6	6	4	2	33%
<b>Total</b>	<b>8</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>40%</b>

Financial Performance Year 0: Electricity Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	44 763	51 329	51 329	–	100,00%
Expenditure:					
Employees	3 160	3 302	3 347	3 031	9,44%
Repairs and Maintenance	1 148	1 633	1 483	–	100,00%
Other	38 698	50 681	50 831	–	100,00%
<b>Total Operational Expenditure</b>	43 005	55 616	55 661	–	100,00%
<b>Net Operational Expenditure</b>	1 758	(4 287)	(4 332)	–	100,00%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.3.7					

#### COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

Whilst Emakhazeni has made considerable strides in providing electricity services, the service is still confronting major challenges in the following:

- Illegal connections and theft of electricity
- Loss of revenue
- Litigations arising from poor maintenance of infrastructure

### 3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Emakhazeni Local Municipality strives to ensure that 100% households in urban areas receive a refuse collection service once per week and the urban businesses receive the service twice per week. In terms of the Census 2011 Statistics it was indicated that 9844 households receive a weekly waste collection service, 630 households receive less than a weekly service, 2659 households make use of their own dumps and 589 receive no refuse removal services. During the year under review, the municipality extended refuse collection to residents in the newly constructed section of Ext 6 and 8 in Siyathuthuka.

The municipality is however unable to achieved 100% collection rate owing to breakdown of trucks due to the old age and the fact that the refuse collection section does not have any back up fleet.

Refuse collection is provided to all formal households in Emakhazeni urban areas, which includes Indigent households. There are two informal settlement areas in Emgwenya and Entokozweni, which do not receive door-to-door weekly collection services, as these areas are very hard to access with compactor trucks. Bulk bins are placed in these areas which are emptied on a weekly basis but the residents in these areas also have other central dumping points which are cleaned monthly.



The municipality is custodian of four landfill sites that were inherited through the amalgamation of the four units. These sites were not licensed with the exception of the Emgwenya site that had received an authorisation. Dullstroom has received the permit for continued operations; Entokozweni has received the permit to operate with the view to closure and rehabilitation which was funded by DEA. Council prioritised the rehabilitation of the landfill in Belfast through the MIG funds. Implementation is ear marked for 2017/18. Maintenance of landfill sites is carried through by the service provider appointed by the municipality.

Solid Waste Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No. (Based on census 2011 stats)
<b><u>Solid Waste Removal: (Minimum level)</u></b>				
Removed at least once a week	9844	8203	8378	9844
<i>Minimum Service Level and Above sub-total</i>	9844	8203	8378	9844
<i>Minimum Service Level and Above percentage</i>	71.74 %	59,78 %	56,97%	71.74 %
<b><u>Solid Waste Removal: (Below minimum level)</u></b>				
Removed less frequently than once a week	0	1641	1914	0
Using communal refuse dump	0	0	535	0
Using own refuse dump	2659	2659	2659	2659
Other rubbish disposal	0	0		0
No rubbish disposal	589	589	589	589
	630	630	630	630
<i>Below Minimum Service Level sub-total</i>	28.26 %	40,22 %	43,03%	28.26 %
<i>Below Minimum Service Level percentage</i>	13 722	13 722	14705	13 722
<b>Total number of households</b>	9844	8203	8378	9844

Waste Management Service Policy Objectives							
Service Objectives	Outline Service Targets	2014-2015		2015-2016		2016/17	
		Target	Actual	Target	Actual	Target	Actual
To provide a safe, effective and economical waste collection service	Ensure that 100 % of residents (urban areas) receive the service once per week and the businesses receive the service twice per week.	100 %	81.4%	100%	68,1%	91.9%	92.4%
To maintain and provide appropriate landfill sites	Monitoring on the maintenance sessions that are expected to be conducted per year.	48	37 (77.1%)	-	-	-	-
	Number of assessments conducted by the 10 <sup>th</sup> of every month after the quarter ends <b>(NEW INDICATOR)</b>			4 Quarterly assessments	4 Quarterly assessments	4 Quarterly assessments	4 Quarterly assessments
To ensure that the	Cleaning sessions in illegal	480	713	-	-	-	-

general environment is protected and promoted in a sustainable way.	dumping sites		(148.54%)				
	Illegal dumping sites to be rehabilitated	14	7 (50%)	16	6 (37,5%)	16	14

Employees: Solid Waste Management Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	36	44	44	0	0%
4 - 6	8	10	9	1	11%
7 - 9	2	2	2	0	0%
<b>Total</b>	<b>46</b>	<b>56</b>	<b>55</b>	<b>1</b>	<b>2%</b>

Financial Performance Year 0: Solid Waste Management Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	8 651	8 807	8 807		100,00%
Expenditure:					
Employees	5 621	6 539	6 469		100,00%
Repairs and Maintenance	1 904	1 510	1 380		100,00%
Other	491	818	3 843		100,00%
<b>Total Operational Expenditure</b>	016	11 867	11 692	–	100,00%
<b>Net Operational Expenditure</b>	(635)	060	2 885	–	100,00%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.4.7					

#### COMMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL:

Provision of refuse removal services is improving, the service is not free from challenges such as old infrastructure, management of land fill sites and dealing away with mushrooming illegal dumping areas. Community partnership is required in changing the culture and attitude towards the environment.

### 3.5 HOUSING

Section 26 of the Constitution of the Republic of South Africa states that state must take the reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right of the community members within its area of Jurisdiction.

The municipality has a total housing backlog of 3 200 as per the municipal housing database. This prompted the Municipality to introduce a waiting list programme for beneficiaries who must be allocated housing. As a result a number of informal settlements in areas such as Sakhelwe (Shushumela) recorded 140 structures, Emthonjeni (Enkanini) more than 250 units, Madala Township as well Etimbileni, Sgwabula and Mountain View as in Emgwenya showing signs of steady development.

The municipality constructed housing stock settlement in both Entokozweni and Emgwenya which will serve as family units. Also taking into consideration of the informal and mud houses for the residents residing in the rural areas.

Although housing development was initiated, there were no houses completed due to the illegal invasion of the houses by the community members from Siyathuthuka. The Department of Human Settlements appointed a contractor to construct 240 top structures for Siyathuthuka extension 7 which will be completed in the next financial year.

Out of 110 houses planned for Sakhelwe, only 101 were constructed. The contractor was terminated by the Department for not meeting contractual obligations. Township establishment for Gugulethu has been approved and finalised. Planning for installation also underway.

In Dullstroom the Grootsuikerboschkop 124 JT, Portion 1, township establishment processes have been commenced with. The new township will yield 500 stands and that will assist in the elimination of illegal shacks in Sakhelwe. Also in Siyathuthuka the process of township establishment has started which will also provide 500 stands to assist in eradication of informal settlements.

The Department appointed conveyers to assist with the transfer of ownership to the rightful beneficiaries of low cost housing. The process has already started with the aim to transfer about remaining 2000 deeds to the beneficiaries.

Households with access to basic housing	
Type of dwelling	Households
House or brick/concrete block structure on a separate stand or yard or on a farm	10541
Traditional dwelling/hut/structure made of traditional materials	736
Flat or apartment in a block of flats	142
Cluster house in complex	12
Townhouse (semi-detached house in a complex)	11
Semi-detached house	123
House/flat/room in backyard	193

Informal dwelling (shack; in backyard)	618
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	920
Room/flatlet on a property or larger dwelling/servants quarters/granny flat	208
Caravan/tent	32
Other	188

Service Objectives  Service Indicators (i)	Outline Service Targets (iii)	2014-15			2015-6		2016-17
		Target		Actual	Target		
		*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To meet the quality housing needs of residents in the municipal area of jurisdiction and minimize the spread of informal settlements.	Lobby department of Human Settlement to allocate housing units to address the housing backlog at Emakhazeni (Enkanini, Madala, Gugulethu and Sakhelwe ext 2)	Service 480 stands in Siyathuthuk a ext. 6 and 8  Construct 216 family units(CRU) IN Entokozweni	Construct 421 houses in Siyathuthuka Ext 6 and 8  Construct 20 houses with the assistance of Exxaro Mine	421 houses constructed in Siyathuthuk a.	Construct 110 houses in Sakhelwe.	-	-
To meet the quality housing needs of residents in the municipal area of jurisdiction and minimize the spread of informal settlements.	Number of reports submitted to Council regarding the new RDP Housing units provided by the PDoHS by 30 June 2017	-	-	-	-	100% of buildings inspected that comply with National Building Regulations and Standards Act by 30 June 2017	83% of buildings inspected complied with National Building Regulations and Standards Act by 30 June 2017
To meet the quality housing needs of residents in the municipal area of jurisdiction and minimize the spread of informal settlements.	Number of reports submitted to Council regarding the new RDP Housing units provided by the PDoHS by 30 June 2017	-	-	-	-	1 reports submitted to Council regarding the new RDP Housing units provided by the PDoHS by 30 June 2017	3 reports were submitted to council regarding the new RDP Housing units provided by the PDoHS by 30 June 2017

Employees: Housing Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	2	2	2	0	0%
10 - 12	1	1	1	0	0%
13 - 15	1	1	1	0	0%
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0%</b>

Financial Performance Year : Planning Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	15 173	1 400	1 400	1 341	4,19%
Expenditure:					
Employees	11 096	13 727	13 652	11 510	15,70%
Repairs and Maintenance	816	1 107	1 107	231	79,17%
Other	1 468	1 754	1 754	40	97,74%
<b>Total Operational Expenditure</b>	13 380	16 588	16 513	11 780	28,66%
<b>Net Operational Expenditure</b>	(1 793)	15 188	15 113	(10 439)	169,07%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.10.5					

#### COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Due to the illegal invasion of houses, it became difficult for the Department of Human Settlement to deliver on its mandate. Contractors abandoned site and although the issues are resolved, its impact was that overall, completion of houses and handing over to rightful beneficiaries could not be achieved.

### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

In terms of section 97(1)(c) of the Municipal Systems Act, municipalities need to develop an Indigent Policy which is consistent with Council's Tariff's and Policy. The Municipality has in place a Credit Control Policy which is reviewed annually to assist with the recovery of debt .

Emakhazeni also have an Indigent Policy which is used to implement the provision of Free Basic Services to households who cannot afford to pay. It be noted that the onus lies with the applicant to register and subject to a means test and Council approval then beneficiaries receive 6 kl of water as well as 50 kw of electricity. Any consumption above this threshold is then billed to the same consumer. Provision is Free Basis Services is a policy position and Council budget for this expense.

During 2016/17 987 households benefitted from the Indigent Policy.

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
Year -2	1064	1064	1064	100%	1064	100%	1064	100%	1064	100%
Year -1	1473	1473	1473	100%	1473	100%	1473	100%	1473	100%
Total	2537	2537	2537		2537		2537		2537	

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year 2014/2015	2015/2016			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	R463 796.05	R397 440.00	R397 440.00	R390 286.08	R7 153.92
Waste Water (Sanitation)	R162 444.67	R731 160.00	R731 160.00	R717 999.12	R13 160.88
Electricity	R535 570.10	R792 000.00	R792 000.00	R777 744.00	R14 256.00
Waste Management (Solid Waste)	R315 512.04	R1 170 000.00	R1 170 000.00	R1 148 940.00	R21 060.00
Total	R1 477 322.86	R3 090 600.00	R3 090 600.00	R3 034 969.20	R55 630.80

### COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

Whilst Emakhazeni provides for those who qualify as Indigents, the municipality is unable to register all its indigents which gives rise to challenges when the Credit Control Policy is implemented. Going forward, the Public Participation Office will need to be strengthened so that at least 3000 applicants can be reached.

## COMPONENT B: ROAD TRANSPORT

### 3.7 ROADS

Emakhazeni municipality is transverse by the N4 which runs through strategic areas and towns such as Mbombela and Steve Tshwete. It connects the municipality to major economic areas which obviously has its advantages and disadvantages. From an economic perspective it serves as a main artery of economic stimulation to the area and positions Emakhazeni strategically as the gateway to the low veld Tourism as well as the industries in Witbank and Middelburg. This however does increase the volume of traffic significantly which in turn increases number of road accidents.

Emakhazeni has successfully applied for the roll out of a speed calming measures on the N4 which was approved by the relevant authority and is being implemented. Statistics from this project will be used to determine success.

The municipality is inundated with community requests to have the toll gate which is located between Machadodrp and Waterval Boven done away with because it inflates cost of service and is simply not affordable despite the concession offered.

By and large, municipal roads which are essential in connecting towns and settlements within the area could be described as in a dire need for urgent maintenance. In an attempt to stimulate the economy whilst addressing service delivery, the Council has since undertook to move away from tere to heavy duty paving in municipal roads which requires less maintenance. Furthermore, more and more efforts to progressively address the roads backlog is amongst one of the priorities of this new council.

Roads Policy Taken from IDP						
Service Objectives	Service Indicator	Outline service targets	2015/2016		2016/2017	
			Target	Actual	Target	Actual
To ensure provision of affordable and sustainable basic services	Number of potholes patched and / or repaired by 30 June 2017	900 potholes to be repaired	750 potholes patched and or repaired by 30 June 2016	1152 potholes were patched .	-	-
	Number of storm water systems cleaned by 30 June 2017	200 storm water systems cleaned by 30 June 2016	481 stormwater systems were cleaned	Only 10 712m² of potholes patched during the financial year	-	-

Capital Projects : Roads Services					
Capital Projects	2016/2017				
	Budget	Adjust ment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Rehabilitation of Bhekumuzi Masango Drive: Phase 5					
Paving or roads around Emakhazeni Local Municipality Townships phase 2: (Road 1 Emgwenya)	R 104 574– 37	-	R 104 574– 37	0%	R 104 574– 37

Gravel Road Infrastructure					Kilometers
	Total gravel roads	New gravel roads constructed/paved	Gravel roads upgraded to paving/tar	Gravel roads graded/maintained	
2016/17	New indicator	0	0	0	
2015/16	New indicator	0	0	0	
2014/15	2592.76KM	0M	1.09 KM	2591.7KM	
Tarred Road Infrastructure					Kilometers
	Total tarred roads	New tar roads	Existing tar roads re-tarred/upgraded	Existing tar roads re-sheeted	Tar roads maintained
2016/17	26,64KM	2,04KM	0,4KM	0KM	26,64KM
2015/16	26,64KM	2,04KM	0,4KM	0KM	26,64KM
2014/15	24.6KM	1.09 KM	0	170M	24.6KM
Financial Performance: Road, Traffic and Licensing Services					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	12,002,355	7,817,701	7,262,884	12,056,596	-66%
Expenditure:					
Employees	7,384,887	8,833,369	8,833,369	8,049,385	9%
Repairs and Maintenance	10,544	167,500	112,500	85,238	24%
Other	8,412,246	6,558,019	7,191,019	7,473,647	-4%
<b>Total Operational Expenditure</b>	15,807,677	15,558,888	16,136,888	15,608,270	3%
<b>Net Operational Expenditure</b>	3,805,322	7,741,187	-8,874,004	3,551,674	60%

Employees: Roads Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	0	0%
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0%</b>



### COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

Emakhazeni municipality is confronted with serious and glaring challenges in addressing the roads backlog. Although some roads were previously tarred, the lack of budget which gave rise to poor maintenance is evident.

### 3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

Emakhazeni municipality implemented the licensing function on behalf of Provincial Department of Safety and Security and in April 2016 the function reverted back to Province. The service however continues to be provided within the municipal premises.

There is no bus services provided by the Municipality.

### 3.9 WASTE WATER (STORMWATER DRAINAGE)

Storm water drainage system is installed with every new road project that is constructed. The municipality is responsible for maintaining stormwater drainage in all of its units which is aimed at prolonging the lifespan of municipal roads. Given the fact that the municipality has backlogs in its roads infrastructure the storm water control is equally affected.

Storm water Infrastructure				
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Kilometers Storm water measures maintained
2016	0	0	0	183 storm water systems were cleaned
Cost of Construction/Maintenance				
R' 000				
	Storm water Measures			
	New	Upgraded	Maintained	
2016	0	0	183 storm water systems were cleaned	

Storm water Services Policy Taken from IDP						
Service Objectives	Service Indicator	Outline service targets	2015/2016		2016/2017	
			Target	Actual	Target	Actual
To provide new roads and improve the condition of the existing roads for users in all the towns, townships and farms areas	Number of storm water drainages cleaned		80 storm water system cleaned	481 storm water systems were cleaned drainages cleaned	-	-

Financial Performance: Public Works and Storm water Services					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>					
Expenditure:	1564286	2111856	1994856	354909	-495%
Employees	103047	310900	230900	514025	40%
Repairs and Maintenance	1718646	1557702	2019702	150744	-933%
Other	3385979	3980458	4245458	1019677	-290%
<b>Total Operational Expenditure</b>	3385979	3980458	4245458	1019677	-290%
<b>Net Operational Expenditure</b>					

#### COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

Storm water is a seasonal challenge which puts some stress on our road network and systems, the municipality is ensuring that storm water is channelled to the streams to lessen the associated damage. The municipality continues to engage stakeholders on new innovations and strategies to ensure effective management of storm water.

### COMPONENT C: PLANNING AND DEVELOPMENT

#### 3.10 PLANNING

Spatial transformation is seen as prerequisite for addressing the physical manifestations of the past administration. Emakhazeni Local Municipality also embarked on a process to transform its spatial landscape as influenced by the winds of change sweeping through the country. The municipality has strived for the integration of all town and the locations.

In terms of the Municipal Systems Act (Act No. 32 of 2000) Section 26(e), all municipalities are required to prepare an Integrated Development Plan (IDP) for their area of jurisdiction, which must include a Spatial Development Framework (SDF). The SDF should therefore also be reviewed in accordance with the annual review of the IDP. The review of the SDF will facilitate the implementation of the IDP spatially in terms of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

During 2013 the new Spatial Planning and Land Use Management Act (SPLUMA) was promulgated under the jurisdiction of the Department of Rural Development and Land Reform. The general principles endorsed by this Act is that spatial planning, land use management and land development must promote and enhance Spatial Justice, Spatial Sustainability; Efficiency; Spatial Resilience, and Good Administration . The short term spatial vision for the Emakhazeni Municipality which informed the ELM Development Framework revolves around the following key elements:

- a) the strengthening and enhanced branding of the area as a tourism destination;
- b) consolidation of the spatial structure of existing towns and settlements and the establishment of a nodal hierarchy in order to achieve physical, social and economic integration of communities and to enhance cost-efficient and sustainable service delivery;

- c) promoting agro-industry development along the N4 development corridor;
- d) making sufficient provision for upgrading of informal settlements and development of sustainable human settlements in general.

The major momentum for the SDF's completed up to 2012, was to comply with the legislative requirements presented by the Municipal Systems Act. Yet, to ensure that development does in actual fact take place in an integrated and sustainable manner, the Integrated Development Plans (IDP's) and Spatial Development Frameworks (SDF's) of local and district authorities now also have to be aligned with the goals and directives provided by the Spatial Planning and Land Use Management Act and new national and provincial policy documents. This implies that IDP's and SDF's need to be reviewed on a continual basis to ensure synergy between the three spheres of government – i.e. what happens on local level needs to “fit-in” and “contribute” to both provincial and national development goals and priorities.

In view of the above, the Emakhazeni Municipality in conjunction with the Nkangala District Municipality, commissioned the review of the Emakhazeni SDF to bring it in line with the SPLUMA requirements.

The following areas were identified for human settlement in terms of the principle of integration, Madala in Emakhazeni, Wonderfontein, Siyathuthuka Ext. 6, 7, 8, 9, 10, and Emakhazeni, Enkanini in Emthonjeni, Sakhelwe Ext. 2i and Gugulethu in Emgwenya. Emakhazeni Local Municipality has embarked on a process to lure sector departments and private businesses to partner in bringing Infrastructure projects that will assist or unlock economic growth within the Emakhazeni Local Municipality's area of jurisdiction. With the direction provided in the SDF the municipality has received couple of proposals for the development of Malls in Emakhazeni which will boost the local economy.

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received	4		7		2	
Determination made in year of receipt	2		6		0	
Determination made in following year	1		2			
Applications withdrawn	0		0			
Applications outstanding at year end	1		0			

Financial Performance Year 1: Planning Services					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	15 173	1 400	1 400	1 341	4,19%
Expenditure:					
Employees	11 096	13 727	13 652	11 510	15,70%
Repairs and					79,17%

Maintenance	816	1 107	1 107	231	
Other	1 468	1 754	1 754	40	97,74%
<b>Total Operational Expenditure</b>	13 380	16 588	16 513	11 780	28,66%
<b>Net Operational Expenditure</b>	(1 793)	15 188	15 113	(10 439)	169,07%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					<i>T 3.10.5</i>

### COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The municipality has been able to transform the development trajectory of the area in that business zones, agriculture, tourism and human settlement are clearly distinct. There is forward looking into new development and servicing of sites in preparation of future development.

### 3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

Local government must use the powers and functions to uplift and improve the quality of life of its residents, especially the poor, vulnerable and marginalized. The multi-year plans for integrated and holistic development in the municipal area, or Integrated Development Plans (IDP), are strategic plans to guide local municipalities to fulfill their roles and responsibilities in this regard. The Local Economic Development (LED) Strategy for the Municipality was developed focusing on the following specific key sectors:

- Agriculture
- Mining
- Tourism
- Manufacturing
- Trade and Commerce
- Information Communication and Technology (ICT)
- Poverty Reduction and Eradication Investment promotion Institutional Framework for LED

The municipality's newly developed LED strategy integrate the priorities of the National Development Plan, New Growth Path and the Mpumalanga Economic Growth Path.

The unemployment rate for Emakhazeni decreased from 25.92% in 2011 to 23.8% in 2015. This means that the unemployment rate was the 7<sup>th</sup> lowest among all municipal areas of Mpumalanga. The statistics reveal that the rate of unemployment for females was 29.2 and for the males 19.9% while the youth statistics is 45.1%. this a challenge especially for the females (youth). It is interesting to note that the main and/or largest employing industries in the municipality are trade, community services, mining and private households. It must be noted that based on the above statistics and provincial directives on job creation, the municipality uses all capital projects, infrastructure projects, environmental and social partners projects for job creation within the municipality.

### TOURISM AND INVESTMENT

Tourism continues to be one of the main economic drivers in the municipality but never the less remain distant in terms of benefiting previously disadvantaged communities except for labour. Participation in this sector is through

working in general tourism jobs such as waitresses, tellers, chefs, and car guards at various tourist establishments. The municipality, together with Mpumalanga Tourism and Parks Agency and Department of Economic Development and Tourism need to explore new ways in ensuring that the broader community participate as product owners as well. Items such as the establishment of tourism routes and introduction of alternative tourist attractions have to be developed.

In an effort to maximise access to community attractions, the municipality outsourced the Dullstroom Caravan Park. The park has since been resuscitated and is now fully functional. The other tourist attraction that need to be revived is the Elandskraans Park. The park is in a dire state and the best proposed way in reviving it is through PPP. An engagement with the provincial treasury has already taken place to look at an appropriate approach for this.

<b>Economic Activity by Sector</b>	
<b>Sector</b>	<b>2016/17</b>
Mining	18.5%
Trade	17%
Community Services	17%
Tourism	21.3%
Other	26..2
Total	100%

In the fight against poverty and unemployment the municipality, as aligned with the provincial directive, is continuing to use to use infrastructure development to create job opportunities, build local economies, to create decent work and sustainable livelihoods. The municipality also implemented CWP for creation of temporary job creation. The below listed infrastructure projects and CWP not less than 927 job opportunities for locals. The implementation of these projects also exposed local SMME's to subcontracting opportunities that was aimed at developing them.

<b>NO</b>	<b>PROJECT</b>	<b>AREA</b>	<b>JOBS CREATED</b>
1	Electrification of 421 households in Siyathuthuka extension 6 & 8	Ward 3	10
2	Electrification of 245 households in Siyathuthuka extension 7	Ward 3	10
3	Emthonjeni ext 4 Nkanini township- provision of water reticulation 800 stands phase 3	Ward 5	9
4	Emthonjeni ext 4 Nkanini township- provision of waterbourne sanitation for 800 stands phase 3	Ward 5	8
5	Madala township: provision of water reticulation services for 500 stands phase 3	Ward 8	3
6	Provision of waterbourne sanitation in Sakhelwe extension 2 phase 2	Ward 4	13
7	Paving of roads around Emakhazeni local municipality township phase 2	All wards	8
8	Madala township: provision of waterbourne sanitation for 500 stands phase 2	ward 4	8
9	Upgrading of water infrastructure for Emgwenya township phase 1	Ward 7	20
10	New sewerage pump station for Mandela village in Siyathuthuka	Ward 3	11
11	Appointment of CWP participants	All wards	827
<b>Total</b>			<b>927</b>

Job creation through EPWP* projects		
	EPWP Projects	Jobs created through EPWP projects
Details	No.	No.
2016/2017	Youth on Waste	62
2015/2016	Youth on Waste	58
2014/2015	Youth on waste	80

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016			2016/2017		
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Service Objective: To promote local economic development</b>									
To implement contractor Development Program	Number of Contractors Developed by 30 June 2017	65 subcontractors benefitted	20 subcontractors to benefit	20 subcontractors to be benefitted	27 subcontractors benefitted	25 subcontractors to benefit	15 subcontractors benefitted through various project		20 subcontractors to be benefitted
To develop the LED strategy	Reviewal of the LED Strategy by 30 June 2017	Development of the LED strategy	Development of the LED strategy	Development of the LED strategy	Situational analysis developed and economic intervention report developed	Development of the LED strategy	LED Strategy developed		Implementation of the LED Strategy
Creation of jobs through infrastructure development	Number of job opportunities created through EPWP and CWP by 30 June 2017	600 jobs to be created	631 jobs created	550 jobs to be created	600 jobs to be created	600 jobs to be created	741 jobs created		400 jobs to be created

### Community Works Programme

Emakhazeni municipality implemented the Community Works Programme which was instrumental in absorbing local labour. These employees assisted in the maintenance of community halls, cleaning of side walks and stadiums. They worked along side EPWP and the programme was successful.

### Financial Performance: The Executive and Council & LED

Employees: LED Services					
Job Level	2014/2015		2015/2016		
	Employees No	Post No	Employees No	Vacancies(fulltime equivalent No	Vacancies (as a % of total posts)%
0-3					
4-6					
7-9					
10-12	1	1	1	0	0
13-15	1	1	1	0	0
16-18					
19-20					
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	106,068,388	107,255,979	107,255,979	86,565,826	19%
Expenditure:					
Employees	8,337,522	10,449,321	10,449,321	8,839,306	15%
Repairs and Maintenance	44,456	66,908	66,908	22,014	67%
Other	92,358,352	23,685,591	23,979,591	19,715,092	18%
<b>Total Operational Expenditure</b>	100,740,330	34,201,820	34,495,820	10,853,772	131%
<b>Net Operational Expenditure</b>	5,328,058	73,054,159	72,760,159	97,419,598	-34%

### COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The municipality managed to have the LED Forum re-established and the forum is chaired by an external member nominated by the members. This structure saw participation of key strategic partners and rigorous engagements on Social Labour Plans. The positive contribution of Expanded Public Works Programme and Community Works Programmes as important safety nets led to 1075 job opportunities created for the poor.

### COMPONENT D: COMMUNITY & SOCIAL SERVICES

#### 3.12 LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

## Municipal Libraries

Municipal libraries contribute to the promotion of the culture of learning amongst our community members. They however, are enriched with the reading materials that are relevant for adults, since they are public libraries and not necessarily, school libraries. The advancement in technology has prompted Department of Culture, Sports and Recreation (DCSR) to install internet services in all libraries. Increase library users through marketing library facilities and provision of internet services.

The Emthonjeni library funded by DCSR was completed and opened during 2016/17 financial year.

## Community Halls

In so far as construction of community halls is concerned, the year 2016/17 saw two facilities in Dullstroom/Sakhelwe as well as Wonderfontein being commissioned. The Dullstroom/Sakhelwe project is funded by Nkangala District whilst the other by Social Partner Msimbithi mine.

Emakhazeni does not have Archives; Museums; Galleries and other facilities such as Theatres and Zoos.

Service objectives /service indicators	Outline Service Targets	2014/2015		2015/2016		2016/017	
		Target	Actual	Target	Actual	Target	Actual
To ensure that library information services contribute to social and economic wellbeing of our community	Number of library users utilising the facilities	-	1977 internet library users at 30 June 2015	-	20 589 internet library users	-	-

Employees: Library , Community Facilities Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0-3	32	36	32	4	11%
4 - 6	9	12	9	3	25%
7 - 9	2	2	2	0	0%
<b>Total</b>	<b>43</b>	<b>50</b>	<b>43</b>	<b>7</b>	<b>14%</b>



Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	7 308,1	7 308,1	17 220,0	417 627,0	-2325,24%
Expenditure:					
Employees	619 108,9	791 855,0	791 855,0	717 911,1	9,34%
Repairs and Maintenance	–	–	–		
Other	–	14 363,0	8 363,0	–	100,00%
<b>Total Operational Expenditure</b>	619 108,9	806 218,0	800 218,0	717 911,1	10,29%
<b>Net Operational Expenditure</b>	(611 800,8)	(798 909,9)	(782 998,0)	(300 284,1)	61,65%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					<i>T 3.12.5</i>

#### COMMENT ON THE PERFORMANCE OF LIBRARIES AND COMMUNITY FACILITIES OVERALL:

Owing to the installation of Internet at the municipal libraries, usage of the facilities has improved as both school going learners and private individuals finds the services pleasing.

### 3.13 CEMETORIES AND CREMATORIUMS

Emakhazeni has a number of cemeteries across the area and provide burial services. This service includes, grave reservations, digging of graves and maintenance of graveyards. There are several memorial graves and monuments in the area and monuments that are protected such as Bergendal.

The non availability of an alternative burial site in some towns continue to be a challenge and the lack of security fences to the old cemeteries which expose them to vandalism and have become grazing land for livestock. Shortage of employees also adds to the challenge of maintaining the sites to acceptable standards even though the municipality tries within its means to render an effective service in that attempts are made to use temporary wires to close opened gaps in the some of the graveyards. The municipality does not provide crematorium services.

#### SERVICE STATISTICS FOR CEMETORIES & CREMATORIUMS

There are 11 cemeteries throughout the municipality and six sites are full, no more in use but are maintained in different towns which are separated about 25 to 33 km each. Graves are dug according to the booking at each service point in all the four towns. A burial policy is used for tariff to residents and non residents. Planning and development is the department dealing with the planning of new grave sites. Digging of graves is performed by

the Technical Services Department, payments are made at the cashiers at the Finance department and Community Services is responsible for the grass cutting and maintenance of the grounds thereafter.

Employees: Cemeteries and Crematories					
Job Level	2014/2015		2015/2016		
	Employees No	Post No	Employees No	Vacancies(fulltime equivalent)	Vacancies (as a % of total posts)%
				No	
0-3	5	6	5	1	16
10-12	1	1	1	0	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>14</b>

Financial Performance Year 0: Crematories and Crematoriums					
R'000					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	37580	53563	53563	33	37,95%
Expenditure:					
Employees	415899	556352	556351	448	19,40%
Repairs and Maintenance	9940	20200	15200	9	40,86%
Other	0	0	0	–	
<b>Total Operational Expenditure</b>	425839	576552	571551	457	19,97%
<b>Net Operational Expenditure</b>	388259	522989	517988	(424)	181,89%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					<i>T 3.13.5</i>

#### COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMS OF OVERALL:

Provision of the service is greatly hampered by the unavailability of land in some areas like Emgwenya and constrained by the limited resources to maintain cemeteries at the required standard.

#### 3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Child Care and Care for the Aged are not necessarily competencies of the municipality never the less, Emakhazeni continues to participate therein in support for work done by other Departments. There are Old Age homes and Children's home in the municipality which are regularly supported through subsidy by Social Development Department. During its Mandela day commemoration, the municipality participated in donations of blankets to the aged was so relevant to escape the winter whilst less fortunate learners were handed school shoes.

## Social Programmes

In partnership with the Department of Education Circuit and Student Development Agency (SDA), Emakhazeni continues to coordinate and implement programmes aimed at the Youth in School. The annual Career Expo targeting all grade 12 learners from all eight high schools in the municipal jurisdiction was held.



*Executive Mayor visiting one of the stalls*



*Learners in attendance of the Teen Pregnancy awareness*

Comprehensive sexuality awareness on Teenage pregnancy was offered teaching learners about contraceptive access and youth development programs can help young people make choices that can protect them from unintended pregnancy. Teens need youth-friendly services and complete, accurate information about abstinence, condoms, and contraception in order to protect themselves from unintended pregnancy.

Over and above programmes for Youth in schools, the municipality facilitated training for Entrepreneurship Development Programme ( EDP) target Youth in business. EDP was designed to help in strengthening entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively. It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behavior for this purpose.

The strength of these programmes lied in the social partnerships that the municipality created with various stakeholders such as MRTT, Eskom, Exxaro, National Youth Development Agency, Sappi Forest, Usuthu Water Catchment, Nkangala TVET College and various government departments.

Employees: Child Care; Aged					
Job Level	2014/2015		2015/2016		
	Employees No	Post No	Employees No	Vacancies(fulltime equivalent No	Vacancies (as a % of total posts)%
10-12	2	2	2	0	0
13-15	1	1	1	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>

#### COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL:

Although provision of Social Security through grants is benefitting more people, social ills such as drug abuse and increase in HIV prevalence are an indication that more still need to be done.

### COMPONENT E: ENVIRONMENTAL PROTECTION

#### 3.15 POLLUTION CONTROL

All South Africans have a role to play in the national efforts to achieve a cleaner environment. In the process of transforming South African society, one of the undertakings made is that the government "must ensure that all South African citizens, present and future, have the right to a clean and healthy environment".

An important area of concern as regards impact on the biophysical and social environment is pollution and waste. The National Environmental Management Act, South Africa is party to a number of international treaties and conventions, some of which impact on pollution of the air, land and marine environment.

Emakhazeni appointed an Environmental Officer in October 2015 to deal with issues of Environmental Management within the municipality. The municipality also relies on two Environmental Health Practitioners (reporting under the Nkangala District municipality) to provide the service in terms of Environmental protection and pollution control.

To mitigate against pollution regarding drinking water safety: Monthly water samples are taken at the four 4 water purification plant outlets, 7 reservoirs and 24 domestic taps for bacteriological as well as chemical safety. Emergency samples are also taken when complaints are received. Sampling programs are registered in the Blue Drop System and reported on a monthly basis.

Pollution control in terms of sewerage purification plants: The municipality has four (4) sewerage purification plants. The Emthonjeni-, Emgwenya and Emakhazeni (Belfast) sewerage purification plants is licensed and are monitored (sampled) in terms of the license conditions. The Dullstroom sewerage purification plant is monitored

(sampled) in terms of the DWA General Conditions. Emgwenya, Emakhazeni and Dullstroom sewerage plants are sampled on a monthly basis and the Emthonjeni sewerage plant is sampled on a weekly basis. Upstream- and downstream samples are also taken at the Emakhazeni, Emthonjeni and Emgwenya sewerage plants. Results are reported on the Green Drop System. All drinking water and sewerage water samples are taken to Regen Waters Laboratory for analysis. Emergency samples are taken from dams or rivers when complaints are received with regards to pollution.

Air pollution control: One EHP was appointed as an “Interim Air Quality Officer”. The municipality does not have a budget or equipment to conduct Air Quality monitoring. Complaints are investigated by the EHP’s together with officials of DEA from Emalahleni.

## ENVIRONMENTAL PROTECTION

Department of Environmental Affairs assisted with the development of an Environmental Management Framework for Emakhazeni Municipality which was adopted in 2009. The EMF is used as a tool to ensure that the environment is protected, especially in terms of development and mining applications.

Environmental Protection is rather about protection and promotion of a safe environment. Sewer spillages poses a huge risk to such efforts. Interventions to curb such spillages are immediately implemented as and when identified. Equally, Council demonstrated its commitment to proactively preserve the environment thereby allocating funding towards the refurbishment of Waste Water Treatment Works.

It is worth noting that sewer spillage hot spots such as in Dullstroom, Emgwenya and Belfast Testing station are continuously monitored.

In the 2017/18 financial year, the Municipality allocated a budget for the rehabilitation and construction of a new fully licensed landfill site. The project is a multiyear project due to the costs and planned in three phases over a three year period.

The Municipality appointed service providers for the continuous maintenance of the land fill sites and the following licenses has been issued:

1. Siyathuthuka – rehabilitation and closure and construction of a new fully compliant landfill site
2. Dullstroom – rehabilitation and closure
3. Emthonjeni – rehabilitation and closure
4. Emgwenya – rehabilitation and closure

Pollution Control Policy Objectives							
Service Objectives	Outline Service Targets	2014-2015		2015-2016		2016-17	
		Target	Actual	Target	Actual	Target	Actual
To promote public safety and ensure that the general environment is promoted in a	Drinking Water: To conduct water sample testing for compliance monitoring according to Blue Drop Requirements and SANS water quality	700	753 (107,6 %)	-	-	-	-

sustainable manner	Waste Water: To conduct sewerage water samples testing for compliance monitoring according to the License Conditions and SANS 241 water quality	624	594 (95,2 %)	-	-	-	-
	Number of sample analysis reports submitted by the 30 June 2016 (NEW INDICATOR)	-	-	10 Water sample and testing analysis reports submitted to Council by 30 June 2016	11 Water sample and testing analysis reports submitted to Council	11 sample analysis reports submitted to Council 30 June 2017	11 sample analysis reports were submitted to council by 30 June 2017

#### COMMENT ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL:

The municipality appointed the Environmental Officer who is responsible for waste and environmental issues. The municipality does not have a budget or equipment to conduct Air Quality monitoring which must be considered for years ahead.

### COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

#### 3.16 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

This section of the profile highlights the current health infrastructure and human resource capacity in the public health sector and burden of disease in the municipal area.

##### INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

Emakhazeni Local Municipality was rendering municipal health services which are in terms of the Health Act a district function. The function was transferred as from the 01 November 2014 to the Nkangala District municipality. The two Environmental Health Practitioners are since then in the employ of the Nkangala District municipality rendering the municipal health services (MHS) functions. These MHS inspections are divided into three categories: Food Premises, Schools and Crèches and Institutional inspections. Food Premises includes all food selling or preparation premises. Institutional inspections include Old Age Homes, Clinics, Hospitals, Funeral Parlours, Children's Homes, Care Centres, etc. The function being with the District municipality no targets have been set by the local municipality on these services as from the 2014/15 financial year.

Health Inspections and Etc Policy Objectives taken from IDP				
Service Objectives	Outline Service Targets	2013-2014	2014-2015	2015-2016

		Target	Actual	Target	Actual	Target	Actual
To promote public safety and ensure that the general environment is promoted in a sustainable manner To promote the development of a healthy community	Conducting shop inspections	480	481	None	461	Unknown	Unknown
	Conducting school/creshe inspections	72	72	None	70	Unknown	Unknown
	Conducting institutional inspections	72	72	None	76	Unknown	Unknown
	Conducting dairy farm inspections	36	36	None	29	Unknown	Unknown
	Milk sampling and analysis	72	86	None	71	Unknown	Unknown

COMMENT ON THE PERFORMANCE OF HEALTH INSPECTIONS, Etc OVERALL:

No Capital projects are registered under this section.

## COMPONENT G: SECURITY AND SAFETY

### 3.17 TRAFFIC, SECURITY AND SAFETY

Section 12 of the Constitution stipulates that every person has the right to safety and security and subsequently, Council focussed on ensuring a safe and peaceful environment.

The municipality provides physical security at all its offices however, due to many offices not being purpose build, it is proving difficult to satisfy all expectations. Entrances to municipal offices are manned on a daily basis by security guards despite this, some security breaches are still occurring of which their causes could be attributed to deliberate acts of dishonesty and negligence. Cases has been opened and matters are investigated.

Unlike 2015/16, 2016/17 was relatively stable in so far as the safety and reduction in disturbances in the operations of the municipality. No municipal employee protest were encountered during this year and no properties of the municipalities destroyed.

#### TRAFFIC, SAFETY & SECURITY

The municipality has a law enforcement section which is manned by ten Traffic Officers. This section aims to increasing public safety through enforcement of compliance to Road Traffic Regulation. The main function of Traffic Services is to make the roads safe and ensure the free flow of traffic at all times. This is done through visible law enforcement, road safety campaigns, and awareness programmes.

Section 12 of the Constitution stipulates that every person has the right to safety and security and subsequently, Council aims to create a conducive environment for its residents and visitors alike. Never the less, during the IDP

consultative meetings, members of the public raised safety and security as amongst the major concerns. This concern is supported by the crime statistic report released for police stations which is summarised as follows:

Crime Category	Belfast	Emgwenya	Entokozweni	Dullstroom
Murder	4	1	1	1
Sexual Offences	16	11	3	1
Robbery with aggravating circumstances	59	8	8	12
Burglary at residential premises	203	59	66	62
Theft out of motor vehicles	44	10	18	9
Malicious damage to property	67	40	15	14
<b>Total</b>	<b>393</b>	<b>129</b>	<b>111</b>	<b>99</b>

The municipality in collaboration with the South African Police facilitated section four meetings which were helpful in creating a stable and orderly environment even during protests.

Employees: Traffic and Licensing Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	2	2	2	0	0%
4-6	5	5	1	4	80%
7 - 9	11	13	8	5	38%
10 - 12	7	8	5	3	37%
13 - 15	2	2	1	1	50%
<b>Total</b>	<b>27</b>	<b>30</b>	<b>17</b>	<b>13</b>	<b>43%</b>

Municipal Traffic policy objectives as taken from IDP							
Service Objectives	Outline service objective targets	2014 – 2015		2015 - 2016		2016 – 2017	
		Target	Actual	Target	Actual	Target	Actual
	Number of road blocks and arrive alive campaigns conducted	1 arrive alive campaign to be conducted by 30 April 2015.  4 Internal road blocks to be conducted by 30 June 2015	1 arrive alive campaign was conducted by 30 April 2015. 7 Internal road blocks were conducted by 30 June 2015 (160%)	4 Internal road blocks to be conducted by 30 June 2016	12 road blocks conducted by 30 June 2016	12 road blocks conducted by 30 June 2017	14 road blocks were conducted by 30 June 2017



Municipal Security policy objectives as taken from IDP							
Service Objectives	Outline service objective targets	2014 - 2015		2015 - 2016		2016-2017	
		Target	Actual	Target	Actual	Target	Actual
Monitoring of the service provider through the submissions of Monthly reports and monthly meetings	Number of reports submitted	12 Monthly reports to be submitted by 30 June 2015.	12 Monthly reports were submitted.	-	12 Monthly reports were submitted for 2015/16 financial year.	12 Monthly reports were submitted for 2016/17 financial year	12 Monthly reports were submitted for 2016/17 financial year
Appointment and monitoring of the security service provider to assist in providing a safer working environment (NEW INDICATOR FOR 2015/16)	Number of assessments conducted by the 10 <sup>th</sup> of every month after the quarter ends	-	-	4 Quarterly assessments to be conducted by the 10 <sup>th</sup> of every month after the quarter ends.	4 Quarterly assessments on monitoring of security service provider conducted in 2015/16	4 assessments conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year	3 assessments were conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year

#### COMMENT ON THE PERFORMANCE OF TRAFFIC, SECURITY AND SAFETY OVERALL:

Whilst Traffic monitoring services are provided, visibility of Traffic Officers outside of Belfast (Emakhazeni) remains lacking. This is even worse in areas like Waterval Boven where there is a toll gate.

### 3.18 FIRE AND DISASTER MANAGEMENT

The municipality provides Fire and Rescue as well as Disaster Management services at its local satellite offices as well as head Office through the 11 personnel appointed. During the financial year 08 temporary staff was also recruited through the EPWP programme to assist during fire season to cope with the burning of fire breaks. The municipality trained five interns on Fire Fighting 1 and 11 as well as Hazmat Awareness and they completed their training on time. These interns are now appointed and Fire and Rescue Officers.

Although Belfast is the main Head Office, Fire and Rescue is decentralized to the local offices with the view to speed up response time.

The Disaster Management Plan of the Municipality is currently under review and once completed, should be useful in formulating relevant responses to local situation. During the year under review, the municipality operated a 24 hour Emergency call number which was helpful in coordinating response during emergencies.

Employees: Fire Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	0	0%
7 - 9	4	4	4	0	0%
10 - 12	1	1	1	0	0%
13 - 15	1	1	1	0	0%
<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0%</b>

Municipal Fire Service data				
	Details	2014/2015	2015/2016	2016/17
		Actual No.	Actual No.	Actual No.
1	Total fires attended in the year	128 veld fires 4 structural fires	83 veld fires 15 structural fires	

Municipal Fire policy objectives as taken from IDP				
	the year	1 Disaster (strong winds in Dalmanutha)	2 disasters (1tornado and heavy rain storms)	
3	Average turnout time – urban areas	10 min	10min	
4	Average turnout time – rural areas	20-25 min	20-25min	
5	Fire fighters in post at year end	11	11	
6	Total fire vehicles at year end	9	9	
7	Average number of vehicles off the road during the year (not roadworthy)	2	3	

Financial Performance: Fire Services					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	–		
Expenditure:					
Employee cost	2 106	1 932	2 072	2 026	134%
Repairs and Maintenance	117	167	187	–	
Other	–	192	238	65	-43%
<b>Total Operational Expenditure</b>	<b>2 223</b>	<b>2 291</b>	<b>2 497</b>	<b>2 091</b>	<b>-2696%</b>
<b>Net Operational Expenditure</b>	<b>(2 223)</b>	<b>(2 291)</b>	<b>(2 497)</b>	<b>(2 091)</b>	<b>-347%</b>

Service Objectives	Outline service objective targets	2014-2015		2015-2016		2016-2017	
		Target	Actual	Target	Actual	Target	Actual
To create a conducive environment for increased public safety	Fire inspections	134	206	162	252	255	313
To create a conducive environment for increased public safety	Fire breaks	-	87,96km's EPWP posts were advertised and closing date was the 07 July 2015	80 km	48,140 km	80 Km of fire breaks to be conducted by 30 June 2017	44 Km of fire breaks were conducted by 30 July 2017
To create a conducive environment for increased public safety	Fire Awareness	4	14	16	15	4 road safety programmes conducted by 30 June 2017	4 road safety programmes were conducted by 30 June 2017
To create a conducive environment for increased public safety		146	130	83	83 and 17 replaced	16 fire awareness campaigns conducted by 30 June 2017	31 fire awareness campaigns were conducted by 30 June 2017

#### COMMENT ON THE PERFORMANCE OF FIRE SERVICES OVERALL:

The municipality has demonstrated its preparedness in responding to emergencies within the area. The N4 remains the hot spot for emergencies especially with regard to motor vehicle accidents.

### COMPONENT H: SPORT AND RECREATION

#### 3.19 SPORT AND RECREATION

Provision of Sports and Recreational facilities remains of the glaring legacies of the history of the country. The Municipality has tried to address the issue of underdevelopment in existing sports infrastructure by means of upgrading sports facilities in Siyathuthuka, Sakhelwe, Emgwenya and Emthonjeni in prior years. Priorities like the planting of new grass, installation of flood lights and fencing, and renovation of ablution blocks were completed. However, vandalism of sports facilities, particularly in Emgwenya and Siyathuthuka, remains a challenge. The lack of maintenance funds also leads to deterioration of such facilities.

The municipality has an official dedicated to Sports, Arts and Culture that co-ordinates activities with the Sports Council and the Heritage committee. Emakhazeni has a rich cultural historical endowments such that annual commemoration of the Train Disaster as well as Kwasemkhulu celebration are acknowledged. The municipality participate in these programmes.

Sports and Recreation policy objectives as taken from IDP							
Service Objectives	Outline service objective targets	2014/2014		2015/2016		2016/17	
		Target	Actual	Target	Actual	Target	Actual
<b>SPORT:</b> To create an environment within which individuals can easily participate in a sporting code of their choice	Four activities	4	6	5	7	7 sporting activities held by 30 June 2017	9 sporting activities were held by 30 June 2017
<b>Heritage:</b> To promote and embrace the history and diverse cultural heritage of the South African people	Two activities	2	3	2	6	6 cultural events held by 31 March 2017	06 cultural events were held by 31 March 2017

Employees: Sports and Recreation					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	1	1	1	0	0%

Financial Performance Year 0: Sport and Recreation						R'000
Details	2015/2016	2016/2017				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	14	41	41	15	63,83%	
Expenditure:						
Employees	4 629	4 637	4 872	241	95,06%	
Repairs and Maintenance	64	125	125	–	100,00%	
Other	79	122	76	0	99,69%	
<b>Total Operational Expenditure</b>	4 772	4 885	5 074	241	95,25%	
<b>Net Operational Expenditure</b>	4 758	4 844	5 033	(226)	104,50%	
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>						T 3.23.4

#### COMMENT ON THE PERFORMANCE OF SPORT AND RECREATION OVERALL:

This section has performed above the quarterly targets due to the partnerships that were forged in the year on sports and cultural initiatives. By their nature, sports and cultural events are generally hosted as partnership initiatives with respective departments and or stakeholders.

### 3.20 FINANCIAL SERVICES

The finance department of the municipality provides financial support to other service delivery and other departments within the municipality. The efficiency of the financial support depends on the availability of funds from the services that the municipality is rendering to its communities. Currently the municipality is struggling in terms of financial viability as the cash available is limited to support all the budgeted items. Delivery of clean water, electricity, sanitation and refuse collection are the most critical service delivery priorities that the municipality must ensure sustainable delivery of them. With the limited resources that the municipality is having, it channels them to the delivery of the mentioned services.

Debt Recovery							
R' 000							
Details of the types of account raised and recovered	Year 2014/2015		2015/2016			2016/2017	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	16 928 000.00	52%	28 973 000.00	28 973 000.00	40%	31 870 300.00	90%
Electricity - B	4 902 800.26	44%	8 134 622.99	8 134 622.99	41%	8 948 085.29	90%
Electricity - C	45 404 145.04	65%	40 142 368.67	40 142 368.67	69%	42 550 910.79	90%
Water - B	6 500 586.16	57%	4 137 937.78	4 137 937.78	51%	4 551 731.56	90%
Water - C	8 537 015.97	55%	9 707 781.16	9 707 781.16	46%	10 678 559.27	90%
Sanitation	8 136 000.00	59%	8 062 000.00	8 062 000.00	57%	8 868 200	90%
Refuse	8 662 000.00	54%	8 650 000.00	8 650 000.00	53%	9 515 000.00	90%

Financial Services Objectives as taken from the IDP								
Objective	Target	2014/2015		2015/2016				
		Target	Actual	ACTUAL/PROGRESS	%	BUDGET ALLOCATED	BUDGET USED	REASON FOR DEVIATION /CHALLENGES
To ensure compliance with legislative, reporting	4 Statutory Quarterly Financial Reports	None	None	The report was submitted to Council on the meetings that sat on the following	100%	Salaries budget R 1 968 534.04	R 1 968 534.04	None

framework and prescribed accounting standards	submitted to structures of Council.			dates: Fourth quarter 2014/15 -27th August 2015 First quarter 2015/16 - 26th November 2015. Second quarterly- 28 January 2016				
To ensure compliance with legislative, reporting framework and prescribed accounting standards	12 Section 71 Monthly Financial Reports tabled before Council	To submit section 71 and 72 reports timeously to Provincial Treasury and National Treasury	None	12 set of section 71 report were submitted to the relevant stakeholders	100%	Salaries budget R 1 968 534.04	R 1 968 534.04	None
To ensure compliance with legislative, reporting framework and prescribed accounting standards	1 Section 72 Mid-Year Report for 2015/16 FY	To submit section 71 and 72 reports timeously to Provincial Treasury and National Treasury	None	Section 72 reports was submitted on the 25 <sup>th</sup> January 2016	100%	Salaries budget R 1 968 534.04	R 1 968 534.04	None
To ensure compliance with legislative, reporting framework and prescribed accounting standards	Final Budget approved by Council by 31 May 2016	None	None	Final budget was approved on the 30 June 2016	100%	Salaries budget R 1 968 534.05	R 1 968 534.05	None
To ensure compliance with legislative, reporting framework and prescribed accounting standards	1 set of finance related policies reviewed and approved by council	None	None	1 set of budget related policy was reviewed and approved by Council on the meeting that was held on the 30 June 2016	100%	Salaries budget R 831 870.96	R831 870.96	None
To ensure compliance with legislative, reporting framework and prescribed accounting standards	To prepare and submit Interim Financial Statement	To compile and submit IFS on time	None	Interim Financial Statement. Interim Financial Statements were prepared and submitted to Provincial Treasury on the 29 <sup>th</sup> February 16	0%	Salaries budget R 1 737 848.29	R 1 737 848.29	Time constrain

To ensure compliance with legislative, reporting framework and prescribed accounting standards	To submit Annual Financial Statements to Auditor General by the 30 August 2015	To compile and submit AFS by the 31 <sup>ST</sup> August 2014	The annual financial statements for 2013/2014 were submitted to Auditor General on the 29 <sup>th</sup> of August 2014.	Financial statements were submitted on the 31 <sup>st</sup> August 2015	100%	Salaries budget R 1 737 848.29	R 1 737 848.29	None
To build the capacity of municipality and to implement sound institutional and governance systems required in terms of local government legislations	Clean audit for 2014/15 financial year	None	None	Most of the audit queries that were related to financial statements were dealt with during the preparation of the Annual Financial Statements for 2014/15 financial year , but again a disclaimer audit opinion was obtain.	0%	Salaries budget R 831 870.96	R 831 870.96	To improve the quality of information submitted to AG for auditing purposes
To build the capacity of municipality and to implement sound institutional and governance systems required in terms of local government legislations	50% reduction of AG issues raised in the 2013/14 FY	None	None	104 issues were raised by Auditor General as compared to last year , which constituted 17% reduction	0%	Salaries budget R 831 870.96	R 831 870.96	To improve the quality of information submitted to AG for auditing purposes
To ensure efficient, effective cash flow management	An Audit Action Plan developed and tabled to Council by 25 January 2016	None	None	Audit Action plan has being developed and submitted to Council Committee meeting that has sat on 28 January 2016.	100%	Salaries budget R 831 870.96	R 831 870.96	None
To ensure efficient, effective cash flow management	1 x Procurement /Demand management plan developed by 30 August 2015	None	None	Procurement plan has being developed	100%	Salaries budget R 831 870.96	R 831 870.96	None
To ensure efficient, effective cash flow	4 x quarterly reports on the	None	None	The 2014/15 4 <sup>th</sup> quarterly report was compiled and submitted to Council	100%	R 1 738 385.36	R 1 738 385.36	None

management	implementation of SCM Policy compiled by June 2014 and submitted to council			on the 30 <sup>th</sup> July 2015. The First quarter report for 2015/16 was submitted to Council on the 26 November 2015 The second quarter submitted on the 26 January 2016 The 3 <sup>rd</sup> report quarter was submitted to Council in 28 April 2016				
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Employees: Financial Services					
Job Level	2014/2015		2015/2016		
	Employees No	Post No	Employees No	Vacancies(fulltime equivalent) No	Vacancies (as a % of total posts)%
0-3	7	7	7	0	0
4-6	12	14	12	2	14
7-9	13	13	13	0	0
10-12	8	10	8	2	20
13-15	4	4	4	0	0
16-18					
19-20					
<b>Total</b>	<b>44</b>	<b>48</b>	<b>44</b>	<b>4</b>	<b>8.3</b>

Financial Performance: Financial Services					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	18 256 264	62 769 908	41 046 023	2 402 984	-3.83%
Expenditure:					
Employees	8 468 180	10 711 296	10 481 296	9 551 987	89.17%
Repairs and Maintenance	31 132	77 500	107 500	819 071	1057%
Other	8 481 052	64 710 059	12 985 914	9 505 886	1.47%
Total Operational Expenditure	16 980 363	75 498 855	23 574 710	19 876 944	26.33%
Net Operational Expenditure					



## COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

Emakhazeni Local Municipality has a financial services department that has been established in terms of the Municipal Finance Management Act. The finance department is divided into 4 sections, which are Supply Chain Management Unit, Revenue Section, Expenditure and Budget and reporting section. All this 4 sections are under the management of the Chief Financial Officer. Currently the finance department of the municipality has only 2 post that are vacant, and the others have been filled in. The finance department service as support section to all other department of the municipality.

### 3.21 HUMAN RESOURCE SERVICES

Emakhazeni Local Municipality reviews its organizational structure on an annual basis in order to align the skills base of the municipality towards the implementation of priorities identified through the planning process. The municipality uses the Recruitment and Selection Policy for the recruitment and selection of staff. Appointments are made in terms of the vacant budgeted positions as per the approved organizational structure.

Verification of qualifications, employment reference checks, security screening are carried out for selected positions through an independent service provider before appointments are made in order to prevent the municipality from appointing staff without the necessary skills, competencies, and qualifications and to also avoid possible fraudulent activities.

Emakhazeni local municipality also participates in the Municipal Finance Management Internship Programme (MFMIIP) which is an attempt by National Treasury to build the municipalities capacity to deliver on their financial management responsibilities and thus their constitutional obligations and as such the municipality has appointed five Financial Management Interns who are currently taking part in this programme.

Employees: Human Resource Services					
Job Level	June 2016	June 2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
4 - 6	1	1	1	0	0%
10 - 12	1	1	1	0	0%
13 - 15	1	1	1	0	0%
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0%</b>

Financial Performance Year 0: Human Resource Services (000)					
Details	2015/2016	2016/2017			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Financial Performance Year 0: Human Resource Services</b>	71	–	1 283		100,00%
Expenditure:					

Employees	7 388	8 590	9 873		100,00%
Repairs and Maintenance	162	202	303		100,00%
Other	2 724	3 029	3 477		100,00%
<b>Total Operational Expenditure</b>	10 275	11 820	13 653	–	100,00%
<b>Net Operational Expenditure</b>	10 204	11 820	12 370	–	100,00%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					<i>T 3.26.5</i>

### COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

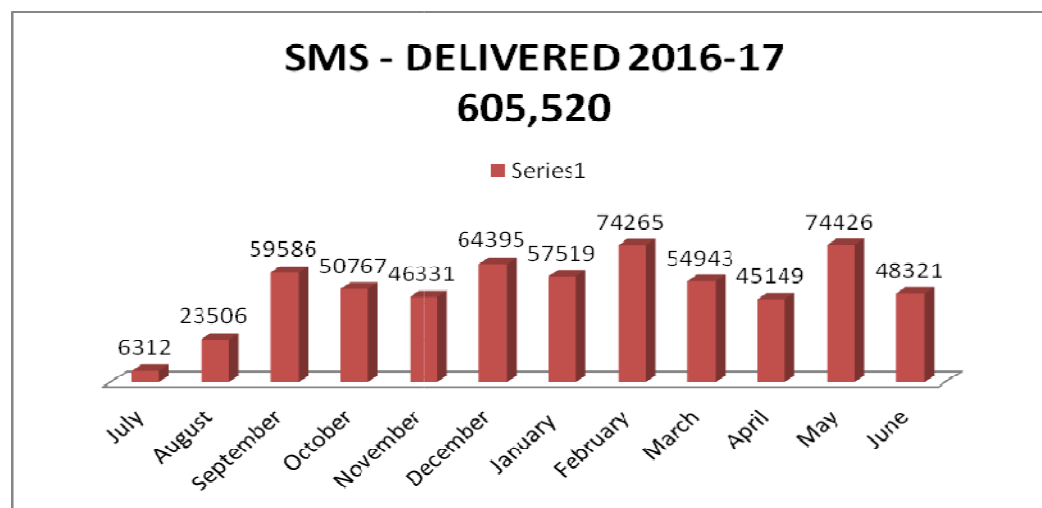
At the beginning of the financial year, the section set its annual target to fill 29 out of the 58 vacant budgeted positions, and as at the end of June 2017, 29 positions were filled and therefore annual target achieved. Out of the 29 positions, 7 females and 2 persons living with disabilities were appointed.

### 3.22 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

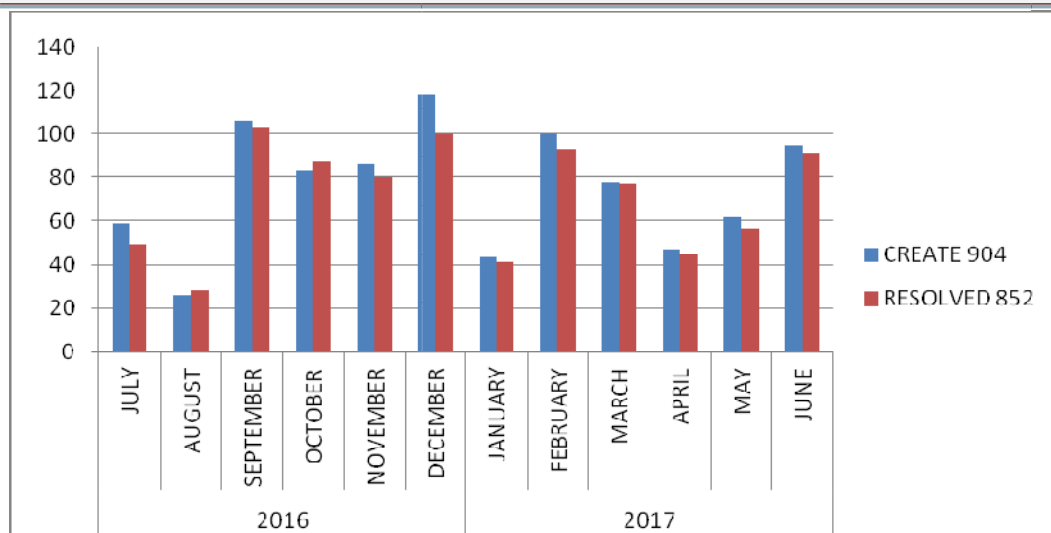
The primary objectives of ICT is

- Minimize IT downtime of the network
- Ensure that our data is backed-up on a regular basis
- Ensure all IT queries are addressed within five working days

ICT continued to enhance communication especially through sms notifications. Attempts to have customer accounts dispatched electronically are still investigated.



Service Repairs



ICT SERVICES OBJECTIVES AS TAKEN FROM IDP							
Objectives	Target	2014/2015		2015/2016		2016/17	
		Target	Actual	Target	Actual	Target	Actual
To have a reliable network with minimal interruptions	Supply of consumable spares to have in stock	*Stock of consumable spares to give continuity of service by quick turnaround of repairs	18%	*Stock of consumable spares to give continuity of service by quick turnaround of repairs	15%		
To have a reliable Equipment coping with new technology & software	Upgrading of IT equipment To replace "end of Life" equipment with new and updated stock	**Upgrading of IT equipment To replace "end of Life" equipment with new and updated stock	40%	***Upgrading of IT equipment To replace "end of Life" equipment with new and updated stock	70%		
To have faster data capturing and improved voice quality on VOIP telecommunication	To have faster data capturing and improved voice quality on VOIP telecommunication	Monitoring and maintenance of existing VPN and VoIP	100%	Upgrading of telecommunications, from TDIS (Copper) to METRO (Fiber)	100%		

Employees: ICT Services					
Job Level	Jun-16	Jun-17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
10 - 12	2	4	2	2	50%
13 - 15	1	1	1	0	0%
<b>Total</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>28%</b>

## COMPONENT I: ORGANISATIONAL PERFORMANCE SCORECARD

This component gives feedback on the annual performance of Emakhazeni Local Municipality as required by Section 46 of the Local Government Municipal System Act, Act no 32 of 2000. The report is compiled based on the Revised Service Delivery and Budget Implementation Plan (SDBIP) approved for 2016/17 financial year and includes the progress on the following Key Performance Areas as stipulated in the Local Government: Municipal Performance Regulations for the Municipal Manager and Managers accountable to Municipal Manager; 2006:

- Basic Service Delivery
- Local Economic Development
- Financial viability
- Good Governance and Public Participation
- Municipal Institutional Development and Transformation
- Spatial rational

Chapter 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), requires local government to:

- Develop a performance management system;
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP);
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government;
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government;
- Conduct an internal audit on performance before tabling the report;
- Have the annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and reviewing municipal performance.

### 1. SUMMARY PER KEY PERFORMANCE AREA

KPA	TOTAL TARGETS	ACHIEVED	NOT ACHIEVED	% PROGRESS
Service Delivery and Infrastructure Development	33	25	8	76%
Local Economic Development	7	5	2	71%
Financial Viability	25	13	12	52%

Good Governance and Public Participation	37	30	7	82%
Institutional Development and Transformation	21	17	4	81%
Spatial Rationale	4	2	2	50%
<b>Total</b>	<b>127</b>	<b>92</b>	<b>35</b>	<b>72%</b>

### **SUMMARY PER DEPARTMENT**

DEPARTMENT/UNIT	TOTAL TARGETS	ACHIEVED	NOT ACHIEVED	% PROGRESS
Community Services	14	11	3	79%
Corporate Services	21	17	4	81%
Finance Department	25	13	12	52%
Planning & Development	13	7	6	54%
Technical Services	17	14	3	83%
Internal Audit Unit	5	4	1	80%
Performance Management Unit	6	5	1	100%
Public Participation Unit	7	5	2	71%
Risk Management Unit	5	3	2	60%
Transversal Issues Unit	8	8	0	100%
Youth Management Unit	6	5	1	83%
<b>Total</b>	<b>127</b>	<b>92</b>	<b>35</b>	<b>72%</b>

Refer to **Appendix N** for a full report.

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

In order to ensure effective organizational performance, the municipality reviews its organizational structure on an annual basis in order to be able to make provision on the budget for filling of prioritized and critical posts. After conducting a training needs analysis, a Workplace Skills Plan is developed and approved by Council to ensure that staff members are skilled in order for them to be effective in positions they occupy. Training programmes are implemented based on available financial resources.

Necessary policies, systems, procedures, and mechanisms are put in place to ensure organizational development. These include, but are not limited to, recruitment, selection, training, discipline, and the retention of staff. Employees are developed as far as possible to assist them to function effectively as human beings and to reach their full potential.

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL WORKFORCE

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	June 2016	June 2017			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	16	23	20	3	13%
Waste Water (Sanitation)	14	20	19	1	5%
Electricity	8	10	6	4	40%
Solid Waste Management	46	56	55	1	2%
Housing	4	4	4	0	0%
Roads	4	4	4	0	0%
Planning and LED Services	2	2	2	0	0%
Library and Facilities	44	51	44	7	12%
Cemetery	3	6	2	4	66%
Child Care, Aged Care, Social Programmes	2	3	2	1	33%
Health Services	1	1	1	0	0%
Traffic Services	27	30	17	13	43%
Fire Services	11	11	11	0	0%
Sport and Recreation	1	1	1	0	0%
Executive & Council	4	5	5	0	0%
Financial Services	49	60	53	7	11%
Human Resources	3	3	3	0	0%
ICT	5	7	3	4	28%
Legal & Risk Management	3	3	3	0	0%

Other Employees	143	207	129	78	34%
<b>Totals</b>	<b>390</b>	<b>507</b>	<b>384</b>	<b>123</b>	<b>22%</b>

Vacancy Rate			
Jun-16		Jun-17	
Designations	*Employees	*Total Approved Posts	*Vacancies (as a proportion of total posts in each category)
		No.	%
Municipal Manager	1	1	0
CFO	1	1	0
Other S57 Managers (excluding Finance Posts)	4	4	0
Other S57 Managers (Finance posts)	0	0	0
Fire fighters	11	11	0
Senior management: Levels 13-15 (excluding Finance Posts)	10	14	28
Senior management: Levels 13-15 (Finance posts)	4	4	0
Highly skilled supervision: levels 9-12 (excluding Finance posts)	31	50	38
Highly skilled supervision: levels 9-12 (Finance posts)	10	12	16
<b>Total</b>	<b>72</b>	<b>97</b>	<b>25</b>

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
Jun-15	31	24	77%
Jun-16	12	10	83%
Jun-17	29	19	66%

All vacancies which are budgeted for are advertised as per Council approved policies, depending on the level of the post being advertised, the municipality makes use of notice boards, website and local newspapers. Where it is anticipated that the recruitment and selection process might take longer and therefore have a negative impact on service delivery, acting appointments on certain positions are recommended for approval. The turnaround time if filling vacant posts is dependent on the availability of cash flow and skills in the labour market.

It must be noted that for the good part of the financial year in question, all Senior Management positions were filled until the last quarter when the fixed term contracts expired. Guided by the Regulations on the Condition of

Appointments and Employment Contracts of Senior Managers, necessary processes commenced in order to fill the vacant positions.

The turnover rate in the financial year was mainly due to resignations and expiry of contracts, with the death of 6 employees and 2 dismissals.

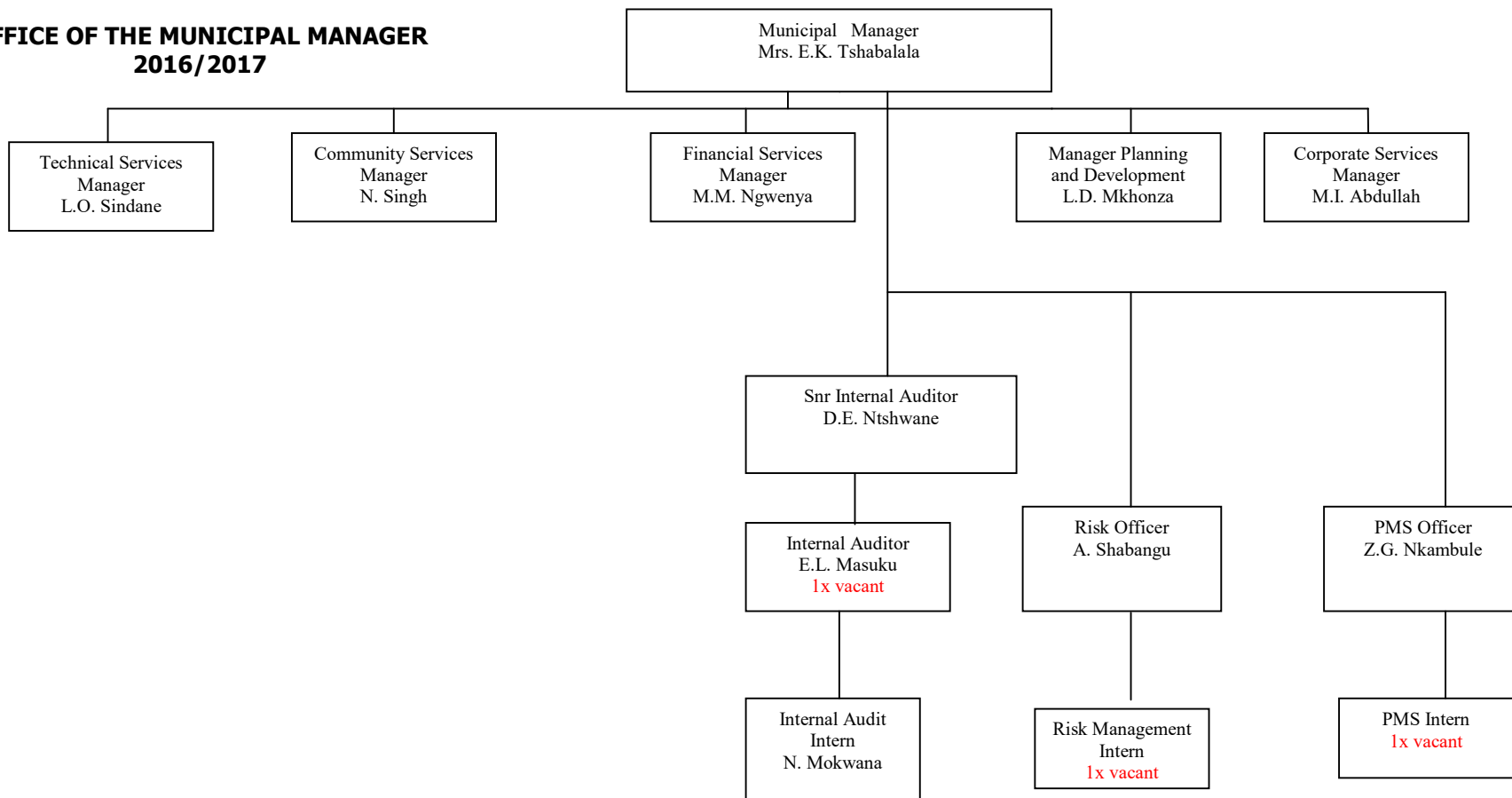
## **COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE**

A total of 507 permanent positions existed on the 2016/17 organogram. By the end of the financial year, 384 positions were filled with a vacancy rate of 22% of the total organizational structure.

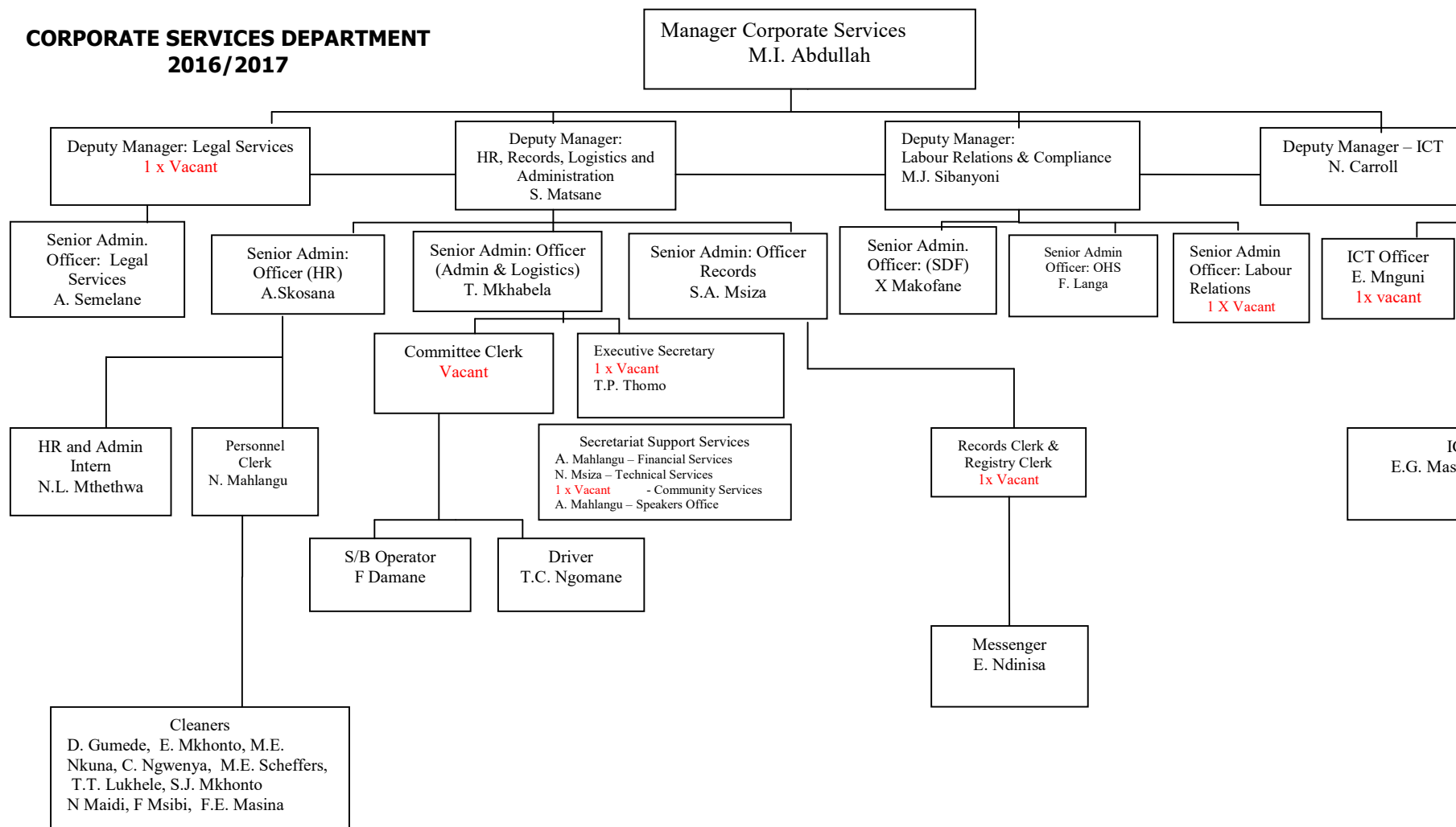
The Municipal Manager headed administration duly supported by five (5) Senior Managers as per the below organizational structure:

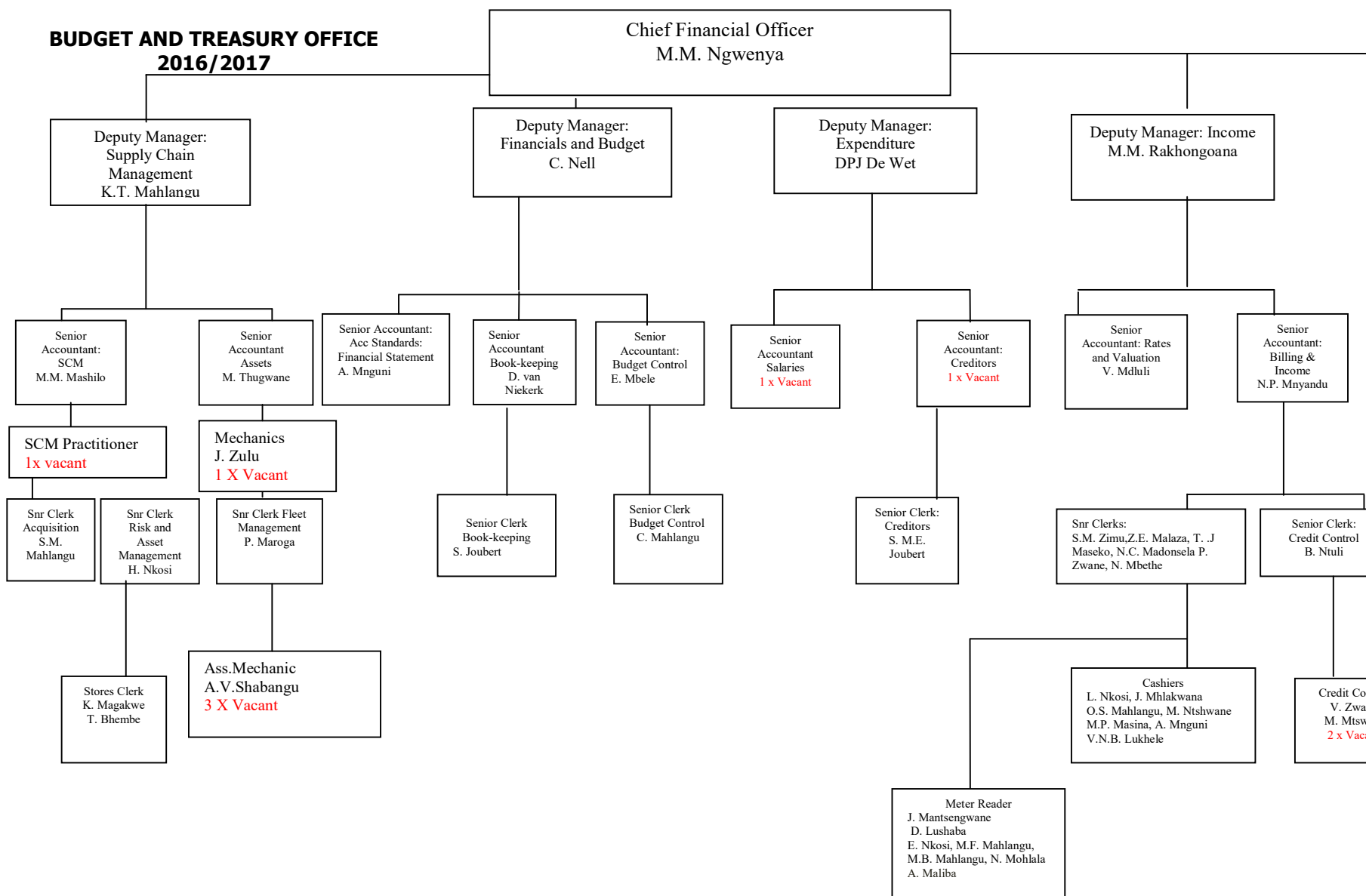


**OFFICE OF THE MUNICIPAL MANAGER  
2016/2017**

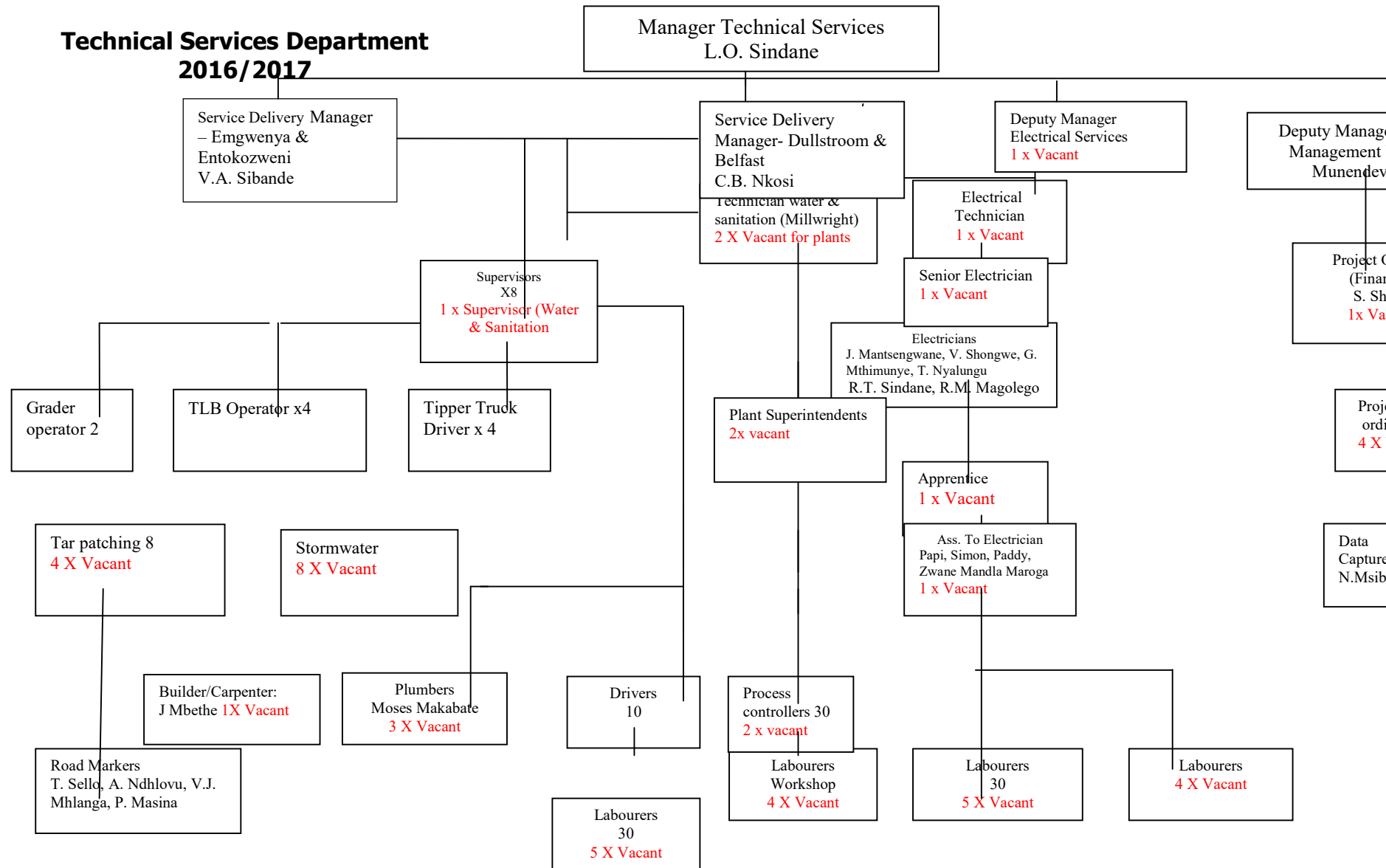


**CORPORATE SERVICES DEPARTMENT  
2016/2017**

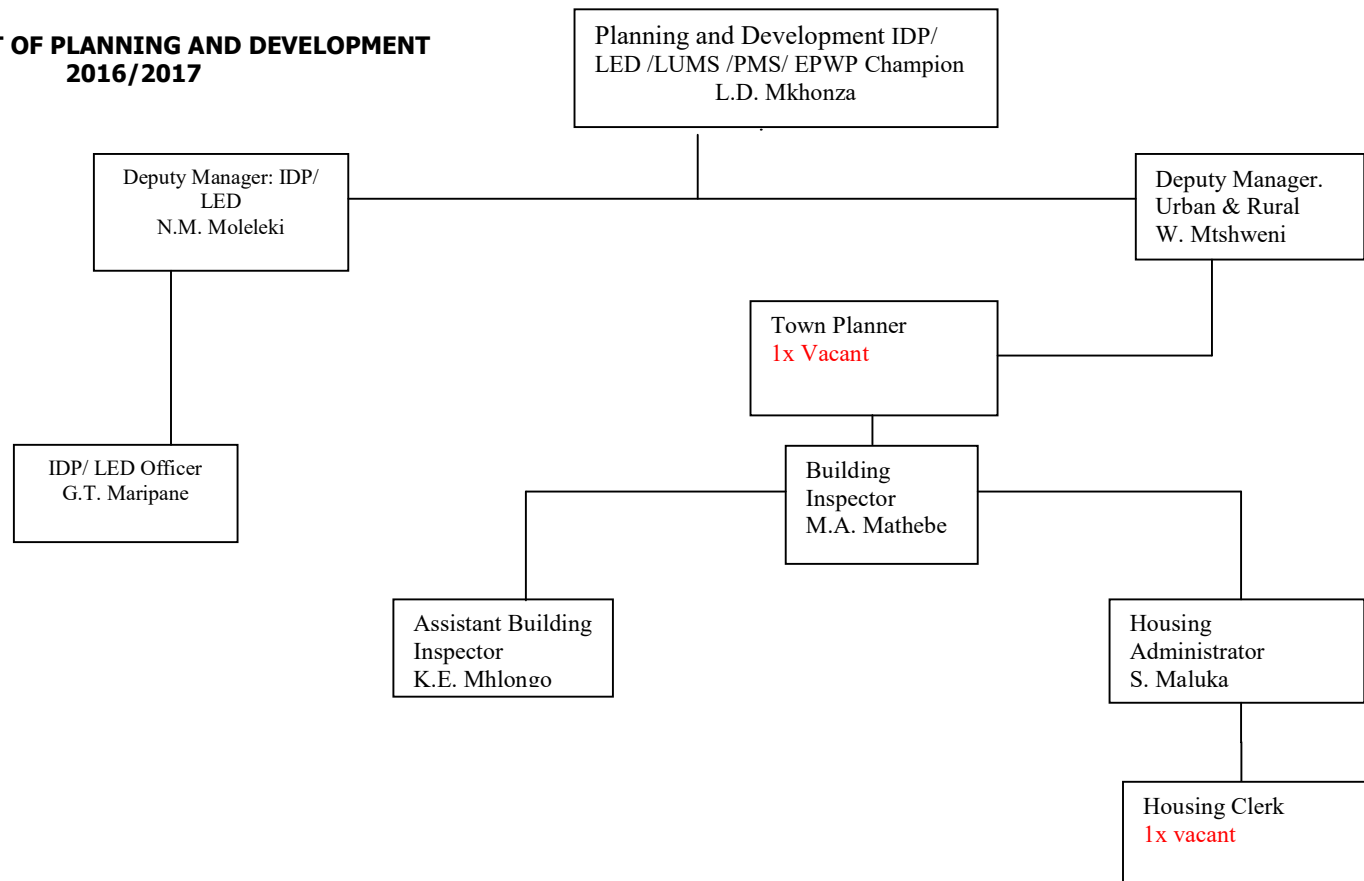




## Technical Services Department 2016/2017



**DEPARTMENT OF PLANNING AND DEVELOPMENT  
2016/2017**



In terms of section 67 of the Municipal Systems Act of 2000, municipalities are to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. In this regard, the municipality developed its Employment Equity Plan and reviews it on an annual basis and also compiles an Employment Equity Report to give progress report on the implementation of the previous year's EEP. Both documents are submitted to the Department of Labour timeously as legislated.

The table below represents the policies developed to assist with workforce management

## 4.2 POLICIES

HR POLICIES AND PLANS				
No	NAME OF POLICY	Approved	Reviewed	Date of Approval/Review
1	Cell phone Allowance	Yes	Yes	30/06/2016
2	Termination of Employment	Yes	Yes	30/06/2016
3	Subsistence & Travelling Allowance	Yes	Yes	30/06/2016
4	Standby Allowance	Yes	Yes	30/06/2016
5	Skills Retention	Yes	Yes	30/06/2016
6.	Recruitment & Selection	Yes	Yes	30/06/2016
7.	Performance Management	Yes	Yes	30/06/2016
8	Occupational Health & Safety	Yes	Yes	30/06/2016
9	Leave Management	Yes	Yes	30/06/2016
10	Employment Equity	Yes	Yes	30/06/2016
11	Promotion of Access	Yes	Yes	30/06/2016
12	Disclosure & Declaration of Interest	Yes	Yes	30/06/2016
13	Code of Conduct	Yes	Yes	30/06/2016
14	Human Resources Development	Yes	Yes	30/06/2016
15	Internal Bursary	Yes	Yes	30/06/2016
16	Induction & Re-Induction of Employees	Yes	Yes	30/06/2016
17	Overtime Management	Yes	Yes	30/06/2016
18	Language	Yes	Yes	30/06/2016
19	Sexual Harassment	Yes	Yes	30/06/2016
20	HIV/AIDS	Yes	No	28/02/2013
21	Smoking	Yes	No	29/05/2007
22	Whistle Blowing	Yes	Yes	26/05/2016
23	Dress Code	Yes	No	28/06/2012
24	Information Technology	Yes	Yes	26/05/2016
25	Attendance and Punctuality	Yes	No	29/06/ 2010
26	Employment Equity Plan	Yes	Yes	14/01/2017
27	Workplace Skills Plan	Yes	Yes	28/04/2016
28	Disciplinary, Grievance & Dispute Resolution	Yes	No	29/05/2007
29	Bereavement	Yes	No	26/11/2011
30	Service Level Standards	Yes	Yes	30/06/2016

31	Employment Incapacity	Yes	No	29/07/2007
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### 4.3 INJURIES, SICKNESSES AND SUSPENSIONS

#### INJURIES

No work related injuries were reported in 2016/17.

#### SICK LEAVE

The number of days sick leave taken by employees have service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken. The table below indicates the total number sick leave days

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	331	43%	52	130	0,98	102666
Skilled (Levels 3-5)	50	2%	9	40	0,15	17323
Highly skilled production (levels 6-8)	278	25%	20	90	0,82	126552
Highly skilled supervision (levels 9-12)	366	19%	19	54	1,09	283806
Senior management (Levels 13-15)	51	8%	16	17	0,15	72170
MM and S57	26	1%	5	6	0,08	49185
<b>Total</b>	<b>1102</b>	<b>16%</b>	<b>121</b>	<b>337</b>	<b>3,27</b>	<b>651703</b>
* - Number of employees in post at the beginning of the year						
*Average is calculated by taking sick leave in column 2 divided by total employees in column 5						T 4.3.2

#### SUSPENSIONS

Number and Period of Suspension				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and	Date Finalized

			Reasons why not Finalized	
S201838 S.T. Kabini (Fire Fighter)	Failure to conduct himself with honesty and integrity and/or failure to refrain from consuming alcohol or using intoxicating drugs whilst on duty.	Employee not suspended	Awaiting blood test results. Case postponed until further notice	Matter not finalized
S200050 Z.S. Maluka (Housing Administrator)	Failed: <ul style="list-style-type: none"> <li>to loyally execute the lawful policies of the municipal council,</li> <li>perform the functions of office in good faith, diligently, honestly and in a transparent manner,</li> <li>act in the best interest of the municipality and in such a way that the credibility and integrity of the municipality are not compromised, and</li> <li>act impartially and treat all people, including other staff members, equally without favour or prejudice.</li> <li>Failed to adhere to paragraph 6.4 and 6.5 of the Beneficiary Management Policy.</li> </ul>	04 November 2015	The presiding officer's finding was not guilty. The employee resumed duties on the 17 <sup>th</sup> January 2017.	07 <sup>th</sup> December 2016

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalized	Date Finalized
S201415 Mr. M. Mabuza ( Traffic Officer Grade II) and S223230 Ms. N.I. Skosana (Examiner of Licenses)	Possible fraud on issuing of learners and/or drivers licenses.	17 March 2016	Employee was found guilty and dismissed effective immediately	The employees were dismissed on 05 <sup>th</sup> April. Matter was however referred to the Bargaining Council for unfair dismissal and that the Chair-person was biased. Matter is still in progress with the Bargaining Council.



Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand Value of any loss to the municipality	Disciplinary Action Taken	Date Finalized
S201882 L.M. Nkosi (Cashier)	<p>Failed:</p> <ul style="list-style-type: none"> <li>to loyally execute the lawful policies of the municipal council,</li> <li>perform the functions of office in good faith, diligently, honestly and in a transparent manner,</li> <li>act in the best interest of the municipality and in such a way that the credibility and integrity of the municipality are not compromised, and</li> <li>act impartially and treat all people, including other staff members, equally without favour or prejudice.</li> </ul> <p>AND failed to adhere to section 17 (3) (a) (b) of the Local Government: Municipal Finance Management Act as amended.</p>	<p>Employee was not suspended but moved to another section for investigation purposes by the employer.</p> <p>After the investigation report the employee was charged</p>	Case still in progress

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

### 4.4 SKILLS DEVELOPMENT AND TRAINING

#### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

Capacity development is important for any organisation which is determined to achieve its goals and objectives. This has been one of the IDP priorities for the municipality with necessary funding allocated each year. Funding was allocated under this function by the municipality, National Treasury and LGSETA for training to be implemented. A total of 23 programs were approved even though only 11 were implemented.

About 154 municipal officials including the unemployed youth received training on a number of programs ranging from Finance, Waste Water and Water Treatment and Computer Courses. The table below represents the progress report on the trainings implemented during the 2016/17 financial year.

TRAINING PROGRAM	NUMBER OF EMPLOYEES	SERVICE PROVIDER	PROGRESS STATUS
MFMP	13	Kgolo Institute	Completed
Computer Course	10	Eagle Computer Training	Completed
Waste Water and Water Treatment	2	White River Technical College	completed
<b>INTERNSHIPS</b>			
Electrical Reticulation	4	ELM	Ongoing
IDP	1	ELM	Ongoing
Project Management	1	ELM	Ongoing

Labour Relations	1	ELM	Ongoing
<b>LEARNERSHIPS</b>			
National Certificate LED	13	Josmap Institute	Ongoing
National Diploma PFMA	11	Josmap Institute	Ongoing
War on Leaks	49	Ekhaya Guest House	Ongoing
Small Scale Mining	49	Mintek	Completed

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2017	Number of skilled employees required and actual as at 30 June 2017											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: 30 June 2016	Actual: 30 June 2017	2016/2017 Target	Actual: 30 June 2016	Actual: 30 June 2017	2016/2017 Target	Actual: 30 June 2016	Actual: 30 June 2017	2016/2017 Target	Actual: 30 June 2016	Actual: 30 June 2017	2016/2017 Target
MM and s57	Female	3	2	0	1	0	0	0				2	1	3
	Male	3	2	2	2	0	0	0				2	2	2
Councilors, senior officials and managers	Female	9	1	1	1	4	0	6				5	1	10
	Male	18	6	6	12	4	0	0				4	6	19
Technicians and associate professionals*	Female	33	0	0	0	2	0	1				2	6	15
	Male	79	6	0	42	17	10	11				23	24	47
Professionals	Female	9	0	0	12	0	2	4				0	9	18
	Male	17	1	0	6	0	1	2				1	5	8
Sub total	Female	54	3	1	25	6	7	9					17	46
	Male	117	15	7	62	21	27	7				28	37	77
Total		171	17	8	87	27	34	45				37	54	123

## COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

### 4.5 EMPLOYEE EXPENDITURE

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
Accounting officer	1	N/A	1	N/A	1	1
Chief financial officer	1	N/A	1	N/A	1	1
Senior managers	4	N/A	4	N/A	4	4
Any other financial officials	17	N/A	17	N/A	-	17
<b>Supply Chain Management Officials</b>	<b>5</b>	<b>N/A</b>	<b>5</b>	<b>N/A</b>	<b>-</b>	<b>-</b>
Heads of supply chain management units	0	N/A	0	N/A	-	-
Supply chain management senior managers	1	N/A	1	N/A	-	-
<b>TOTAL</b>	<b>29</b>		<b>29</b>	<b>0</b>	<b>6</b>	<b>23</b>

Skills Development Expenditure										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2016/2017							
			Learner ships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	F	3								
	M	3	R64615	R64615					R64615	R64615
Legislators, senior officials and managers	F	10	R32307	R32307					R32307	R32307
	M	16	R129228	R129228					R129228	R129228
Professionals	F	6								
	M	9								

Technicians and associate professionals	F	2								
	M	48								
Clerks	F	30								
	M	5								
Service and sales workers	F	4	R96 921						R96921	R96921
	M	2	R96 921						R96921	R96921
Plant and machine operators and assemblers	F	4								
	M	63								
Elementary occupations	Female	50			R24300	R24300			R24300	R24300
	Male	114			R24300	R24300			R24300	R24300
Sub total	Female	109								
	Male	260								
Total			0	0	0	0	0	0	0	0

#### COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

Skills development within the work environment contributed tremendously towards employee capacitating, building of confidence and competitiveness to achieving the desired outcomes. Thirteen officials (seven senior managers and six middle managers) completed training on Municipal Finance.

#### DISCLOSURES OF FINANCIAL INTERESTS

The municipality developed a policy on Disclosure of Interest for all municipal officials and Councillors. Detailed information on disclosures by Councillors and officials are detailed in **Appendix**.

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

The municipality adopted the going concern assumption when preparing the annual financial statements for the year under review. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Municipality also adopted the accrual basis, to account for its revenue and expenditure, while also adopted the approved Statements of GRAP, to record its financial transactions.

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

The purpose of the Statement of Financial Performance is to give an account of the results of the municipality's operations for the year under review. These transactions result from the operating budget of Council. The result is expressed as being either a surplus or a deficit (being the difference between Revenue and Expenditure).

A surplus is indicative of Revenue being more than Expenditure and a deficit of Expenditure being more than Revenue.

Description	2015/2016	2016/2017								
	Actual Outcome	Original Budget	Budget Adjustments	Final adjustments budget	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>Financial Performance</b>										
Property rates	29 410	39 647		39 647	39 647	53 800		14 153	136%	36%
Service charges	74 238	81 521		81 521	81 521	86 022		4 501	106%	6%
Investment revenue	546	351	150	501	501	643		142	128%	40%
Transfers recognised - operational	51 410	56 899	1 283	58 182	58 182	63 131		4 949	109%	9%
Other own revenue	2 359	48 537	(3 899)	44 637	44 637	1 023		(43 614)	2%	-90%
Profit on Disposal of property, plant and equipment	13 981					–		–		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>171 944</b>	<b>226 955</b>	<b>(2 466)</b>	<b>224 488</b>	<b>224 488</b>	<b>204 619</b>		<b>(19 870)</b>	<b>91%</b>	<b>-9%</b>
Employee costs	(69 180)	(85 182)	(1 373)	(86 555)	(86 555)	(68 902)		17 652	80%	-21%
Remuneration of councillors	(5 388)	(5 743)	–	(5 743)	(5 743)	(5 512)		231	96%	-4%

Debt impairment	(72 197)	(10 000)	–	(10 000)	(10 000)	–		10 000	0%	-100%
Depreciation & asset impairment	(45 680)	(44 243)	–	(44 243)	(44 243)	(44 243)	–	–	100%	0%
Finance charges	(4 882)	(3 700)	–	(3 700)	(3 700)	(5 188)		(1 488)	0%	40%
Bulk purchases:										
Electricity	(38 577)	(49 697)	–	(49 697)	(49 697)	(47 337)		2 360	95%	-5%
Transfers and grants			–	–	–	–		–	#DIV/0!	
Other expenditure	(32 422)	(62 317)	(2 047)	(64 363)	(64 363)	(44 657)		19 706	69%	-32%
Loss on Disposal of property, plant and equipment						–		–		
Contributions to /(transfers from)provisions						–		–		
<b>Total Expenditure</b>	<b>(268 325)</b>	<b>(260 881)</b>	<b>(3 420)</b>	<b>(264 301)</b>	<b>(264 301)</b>	<b>(215 839)</b>		<b>48 462</b>	<b>82%</b>	<b>-19%</b>
<b>Surplus/(Deficit)</b>	<b>(96 382)</b>	<b>(33 927)</b>	<b>(5 886)</b>	<b>(39 813)</b>	<b>(39 813)</b>	<b>(11 220)</b>		<b>28 592</b>	<b>28%</b>	<b>-84%</b>
Transfers recognised - capital	58 747	32 134		32 134	32 134			(32 134)	0%	-100%
Contributions recognised - capital & contributed assets		13 000		13 000	13 000			(13 000)	0%	0%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(37 634)</b>	<b>11 207</b>	<b>(5 886)</b>	<b>5 321</b>	<b>5 321</b>	<b>(11 220)</b>		<b>(16 542)</b>	<b>-211%</b>	<b>-148%</b>
Share of surplus/ (deficit) of associate	–			–	–	–		–	0%	0%
<b>Surplus/(Deficit) for the year</b>	<b>(37 634)</b>			<b>5 321</b>	<b>5 321</b>	<b>(11 220)</b>	<b>42 960</b>	<b>(16 542)</b>	<b>-211%</b>	<b>#DIV/0!</b>
<b>Capital expenditure &amp; funds sources</b>	<b>–</b>									
Capital expenditure	58 747									
Transfers recognised - capital		61 586		61 586	61 586			(61 586)	0%	-100%
Public contributions & donations		13 000	8 000	21 000	21 000			(21 000)	0%	0%
Borrowing			(8 000)	(8 000)	(8 000)			8 000	0%	0%
Internally generated funds		1 255	586	1 841	1 841			(1 841)	0%	-147%
<b>Total sources of capital funds</b>		<b>75 841</b>	<b>586</b>	<b>76 427</b>	<b>76 427</b>	<b>–</b>		<b>(76 427)</b>	<b>0%</b>	<b>-101%</b>
<b>Cash flows</b>	<b>–</b>									

Net cash from (used) operating	42 627	28 585	1 932	30 517	30 517			(30 517)	0%	-107%
Net cash from (used) investing	(39 958)	(46 389)	(381)	(46 770)	(46 770)			46 770	0%	0%
Net cash from (used) financing	-	-	-	-	-			-	0%	0%
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 670</b>	<b>(11 167)</b>	<b>(1 551)</b>	<b>(9 616)</b>	<b>(9 616)</b>			<b>9 616</b>	<b>-</b>	<b>(0)</b>

T 5.1.1

Financial Performance of Operational Services						
Description	2015/2016	2016/2017				
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	(6 532)	(7 307)	(7 252)	(6 034)		(0)
Waste Water (Sanitation)	(39 578)	(5 313)	(5 166)	(4 047)	(0)	(0)
Electricity	(1 758)	12 467	12 512	(1 883)	0	0
Waste Management	(635)	3 060	2 885	(2 022)	0	0
Housing	-	-	-	-	-	-
Component A: sub-total	(48 503)	2 908	2 980	(13 987)	0	0
Waste Water (Storm water Drainage)					#DIV/0!	#DIV/0!
Roads	(944)	11 108	11 287	3 218	(0)	(0)
Transport	-	-	-	-	-	-
Component B: sub-total	(944)	11 108	11 287	3 218	(0)	(0)
Planning	13 199	15 188	15 113	11 805	(0)	(0)
Local Economic Development	-	-	-	-	-	-
Component B: sub-total	13 199	15 188	15 113	11 805	(0)	(0)
Planning (Strategic & Regulatory)	-	-	-	-	-	-
Local Economic Development					#DIV/0!	#DIV/0!
Component C: sub-total	-	-	-	-	#DIV/0!	#DIV/0!
Community & Social Services	1 603	2 338	2 288	1 339	(0)	(0)

Environmental Protection					-	-
Health	224	923	823	373	(0)	(0)
Security and Safety	2 223	2 291	2 497	2 289	(0)	(0)
Sport and Recreation	4 758	4 844	5 033	4 883	0	(0)
Corporate Policy Offices and Other	173 052	125 433	128 435		#REF!	#DIV/0!
Component D: sub-total	181 860	135 830	139 077	8 884	(0)	(0)
<b>Total Expenditure</b>	<b>145 611</b>	<b>165 034</b>	<b>168 457</b>	<b>9 920</b>	<b>(0)</b>	<b>(0)</b>

#### COMMENT ON FINANCIAL PERFORMANCE:

Financial performance for the year was satisfactory. 91% of the revenue as per the adjusted budget was realized. This is mainly attributable to the over recovery on Property rates, Services and Investment Revenue. Which stems from the extensive revenue enhancement strategy which was embarked upon by the municipality which has yielded positive results. Only 82% of the Operating expenditure budget was spent, which is as a result of the cost curtailment measures that the municipality has implemented.

## 5.2 GRANTS

The municipality received external funding such as the equitable share which is an unconditional grant. The following conditional grants, Municipal System Information Grant, Finance Management Grant, EPWP, INEP as well as MIG as per the breakdown below:

Description	Grant Performance					
	2015/2016	2016/2017				
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>50 398 598</b>	<b>200 56 899</b>	<b>58 182 200</b>	<b>54 879 000</b>	96%	94%
Equitable share	48 485 937	200 53 107	53 107 200	51 837 000	98%	98%
Municipal Systems Improvement	495 811	000 750	750 000	-	0%	0%
Finance Management grant	1 345 860	000 1 825	1 825 000	1 825 000	100%	100%
Other transfers/grants [EPWP]	-	000 1 217	1 217 000	1 217 000	0%	0%
Other transfers	71	-	1 283			
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Other transfers	-	-	-	-	0.00%	0.00%
<b>District Municipality:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		



<i>Nkangala</i>	–	–	–	–	0.00%	0.00%
<b>Other grant providers:</b>		8 000	8 000	8 000		
<i>INEP</i>	-	8 000 000	8 000 000	8 000 000		
<b>Total Operating Transfers and Grants</b>	<b>50 398 598</b>	<b>64 899 200</b>	<b>66 182 200</b>	<b>62 879 000</b>	<b>97%</b>	<b>95%</b>

#### COMMENT ON OPERATING TRANSFERS AND GRANTS:

In **2015/2016** operating grants to the total of 66 182 200 which was spent completely during the year under review .

### 5.3 ASSET MANAGEMENT

The Municipality adopted an Asset Management Policy that contained new methodologies structured according to the following key components: rationale for management of assets; policy framework; asset recognition; asset types; asset acquisition; asset maintenance; renewal of assets; asset disposal; physical control (movable assets); and asset financial control

The Asset Management Unit is located under Supply Chain Management unit within the Department of Finance and staffed with two officials and 1 intern. The officials have been trained on the Municipal Finance Management Program. The unit is fully functional to meet the requirements of GRAP.

Municipality's Fixed Assets Register is GRAP compliant. The Auditor-General issued a qualified opinion in the 2015/16 audit of assets.

It be noted that most of the material findings have been addressed over the years, as the Municipality's FAR is starting to take shape following the adoption of the best valuation methodology and that is acceptable by AG of SA, since this is evident enough from the Audit Outcome of 2015/16

#### COMMENT ON ASSET MANAGEMENT:

It must be noted that the municipality did not procure any large assets as most of the assets were the ones that are donated by Nkangala.

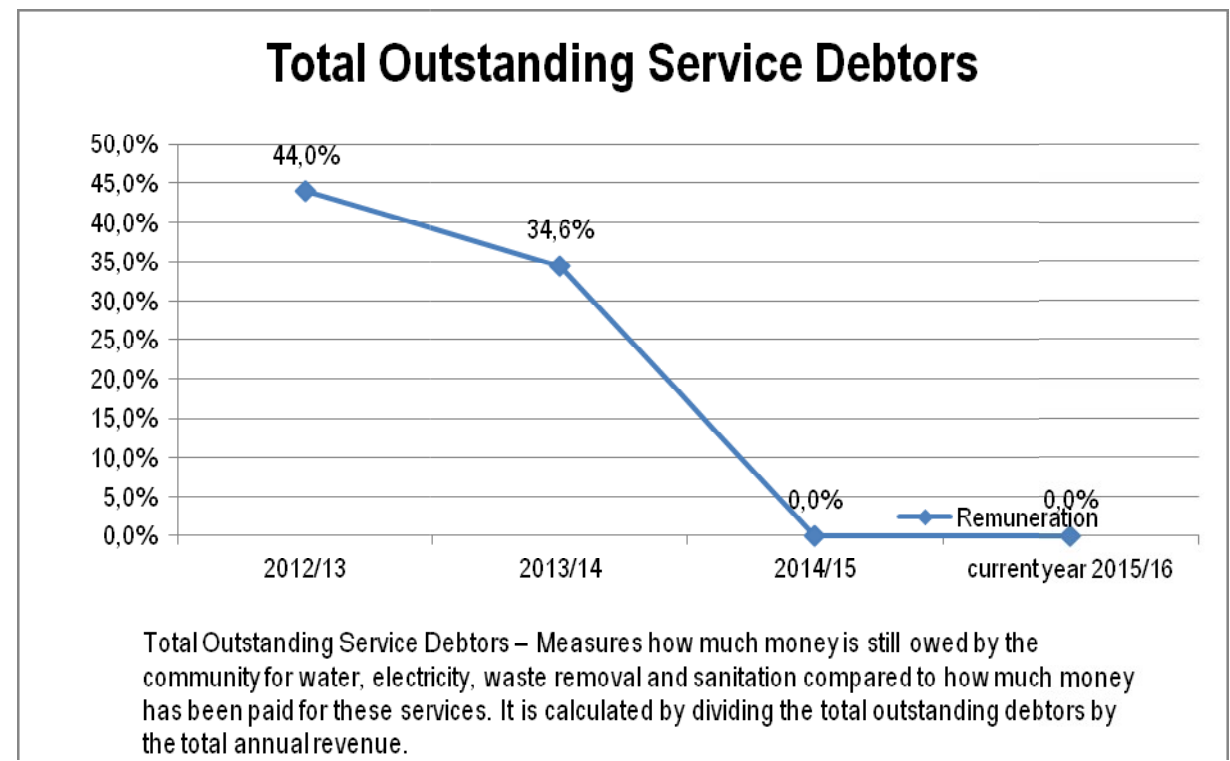
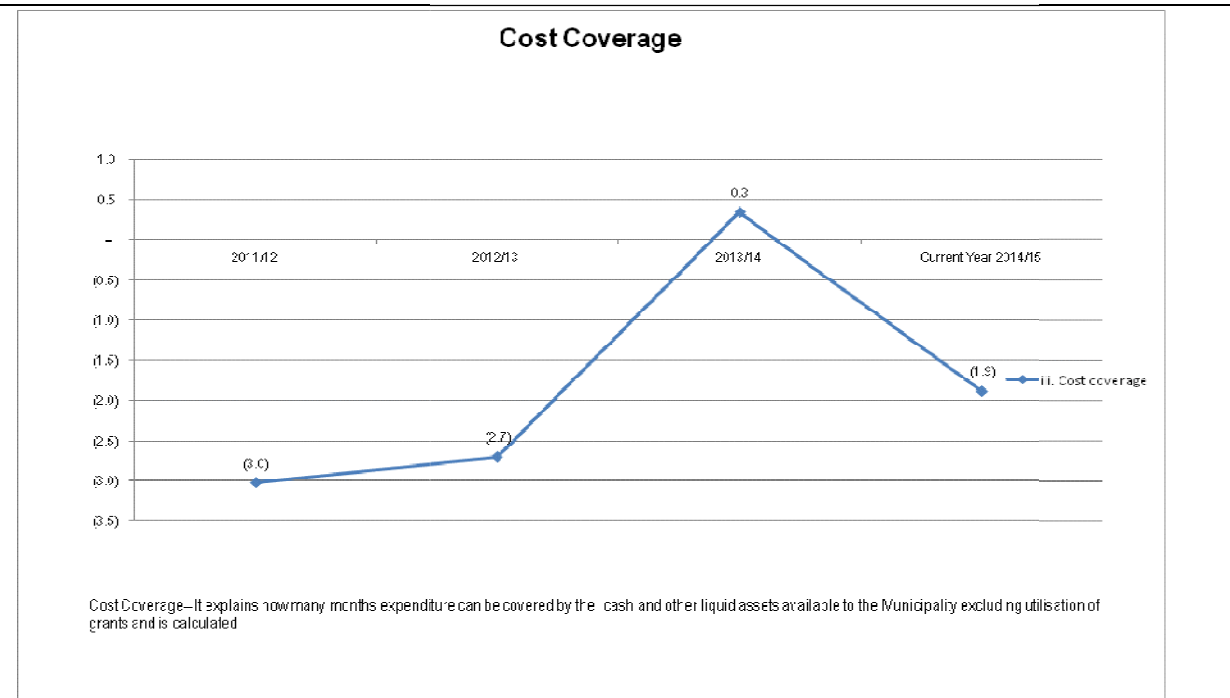
Repair and Maintenance Expenditure: 2016/17				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	6 588 295.00	6596907.00	2 516 858.12	62%

#### COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

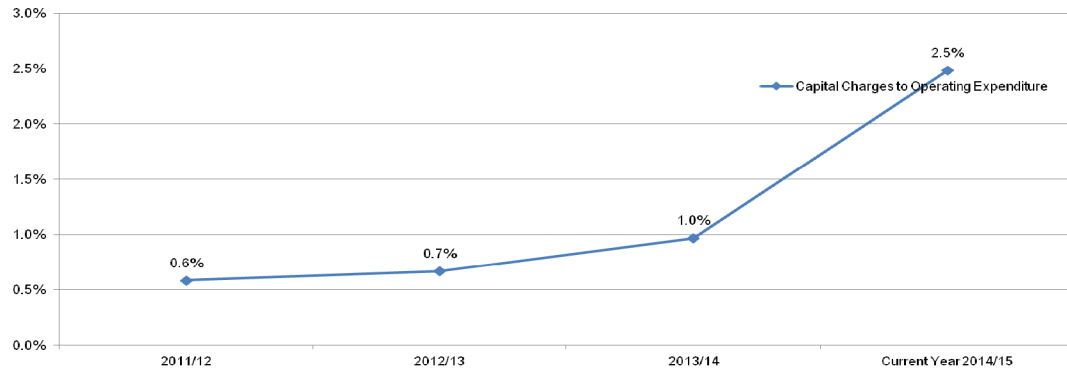
The municipality under spent on repairs and maintenance by 38% for the current financial year mainly due to cost cutting measures implemented to contain cash flow constraints currently being experienced. However,

maintenance priority was given to service delivery oriented assets so as to ensure that service delivery is not compromised.

#### 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



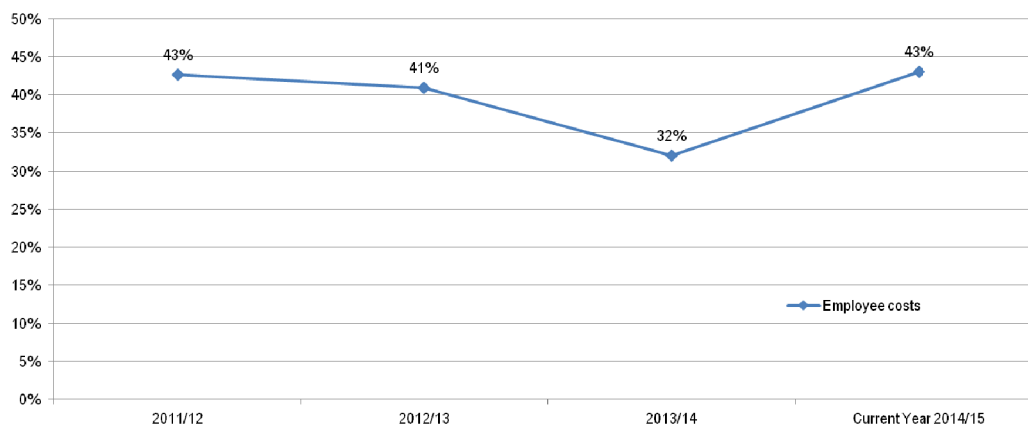
### Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

T5.4.4

### Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Chapter 4 of the MFMA provides that municipal budget should be funded from realistic anticipated revenue, prior years funds not committed and borrowings (only for capital budget) .Emakhazeni Local Municipality capital expenditure budget is thus funded is fully relying on Municipal Infrastructure Grant, as required by the MFMA.

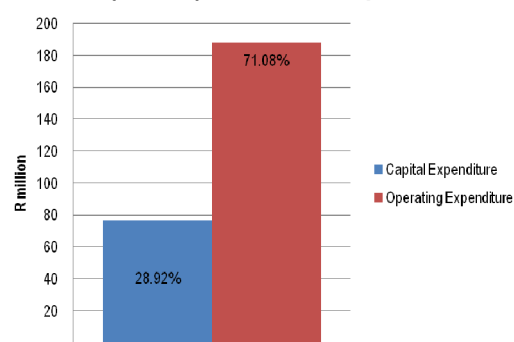
The municipality achieved a 100% spending level on the capital budget..

### 5.5 CAPITAL EXPENDITURE

The municipality had a Capital Expenditure amount to R 24 133 800.00 as per the breakdown below:

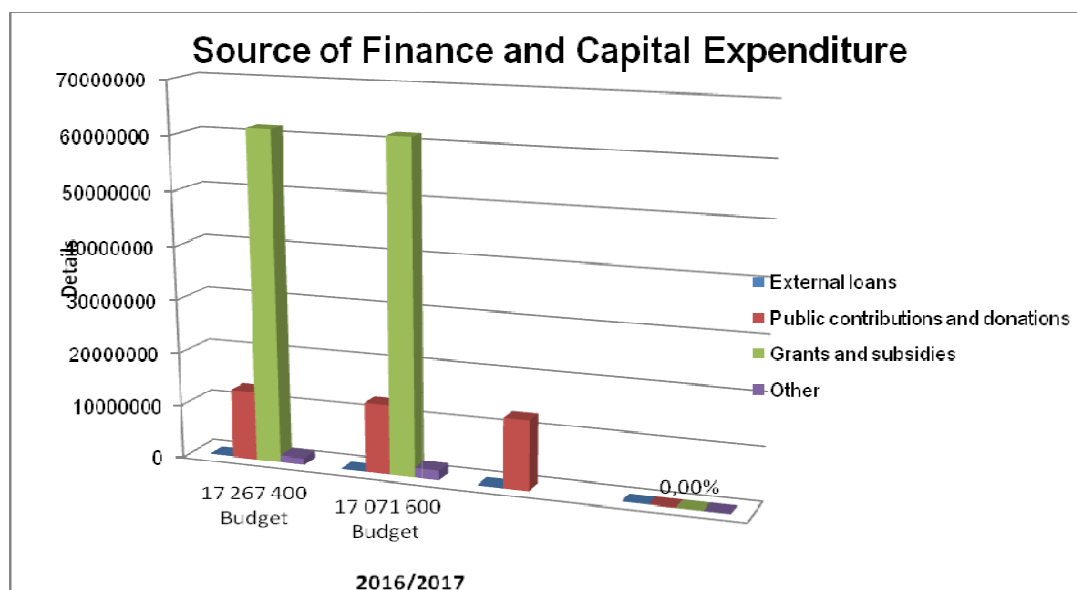
NO	Name of Project	AMOUNT SPEND
1	Rural Areas: Water supply in rural areas phase 8 multi year	R 3 500 000.00
2	Provision of water borne sanitation in Sakhelwe Extension 02 phase 2 (389 Stands)	R 2 967 200.00
3	Emthonjeni Ext 4 and Enkanini 800 Provision of waterborne sanitation	R 2 104 000.00
4	Madala township Provision of waterborne sanitation for 500 stands phase 2	R 3 000 000.00
5	Madala township provision of water for 500 stands phase 3	R 3 929 800.00
6	Paving of roads around Emakhazeni local municipality phase 2 (road 1 in Emgwenya phase 3)	R 2 728 800.00
7	Rehabilitation of waste site phase 1 in Belfast multi year	R 2 904 000.00
8	Emthonjeni Ext 4 and Enkanini 800 Provision of waterborne sanitation	R 3 000 000.00
9	Upgrading of water infrastructure in Emgwenya phase 1	
10	Upgrading of Dullstroom waste disposal site	
11	Closure and rehabilitation of waste disposal site in Entokozweni or Emthonjeni	R -
	<b>TOTAL</b>	<b>R 24 133 800.00</b>

**Capital Expenditure 2016/2017**



## 5.6 SOURCES OF FINANCE

Capital Expenditure Funding						
Details		2016/2017				
		Original Budget	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance: Capital						
	External loans	0	0	0	0.00%	0.00%
	Public contributions and donations	13 000 000	13 000 000		0.00%	-
	Grants and subsidies	61 586 250	61 586 250		0.00%	0.00%
	Other	1 255 000	1 841 000		31.83%	0.00%
<b>Total</b>		<b>75 841 250</b>	<b>76 427 250</b>	<b>-</b>	<b>32%</b>	<b>0%</b>
Percentage of finance						
	External loans	0.0%	0.0%	#DIV/0!	0.0%	#DIV/0!
	Public contributions and donations	17.1%	17.0%	#DIV/0!	0.0%	-
	Grants and subsidies	81.2%	80.6%	#DIV/0!	0.0%	#DIV/0!
	Other	1.7%	2.4%	#DIV/0!	100.0%	#DIV/0!
Capital expenditure						
	Water and sanitation				#DIV/0!	#DIV/0!
	Electricity	8 000	8 000		0.00%	-
	Housing	0	0	0	0.00%	0.00%
	Roads and storm water	66 586	66 586		0.00%	-100.00%
	Other	1 255 000	1 841 000	-	46.69%	-100.00%
<b>Total</b>		<b>75 841 250</b>	<b>76 427 250</b>	<b>-</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
Percentage of expenditure						
	Water and sanitation	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!
	Electricity	10.5%	10.5%	#DIV/0!	#DIV/0!	-
	Housing	0.0%	0.0%	#DIV/0!	#DIV/0!	#DIV/0!
	Roads and storm water	87.8%	87.1%	#DIV/0!	#DIV/0!	#DIV/0!
	Other	1.7%	2.4%	#DIV/0!	#DIV/0!	#DIV/0!



The municipality is highly dependent on government grants for the implementation of capital programs. The total capital expenditure of R76 427 250 for the 2016/2017 year was funded mainly by grants and donations. This confirms that the municipality is still heavily reliant on Treasury to fund capital expenditure.

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

NO	Name of Project	AMOUNT SPEND
1	Rural Areas: Water supply in rural areas phase 8 multi year	R3 500 000.00
2	Emthonjeni Ext 4 and Enkanini 800 Provision of waterborne sanitation	R2 104 000.00
3	Madala township Provision of waterborne sanitation for 500 stands phase 2	R3 000 000.00
4	Madala township provision of water for 500 stands phase 3	R3 929 800.00
5	Paving of roads around Emakhazeni local municipality phase 2 (road 1 in Emgwenya phase 3)	R2 728 800.00
		R15 262 600.00

## COMMENT ON CAPITAL PROJECTS:

In 2016/2017 MIG and donations were the source of Capital assets. It should be noted that the full 100% of MIG capital funds have been spent. The assets received as donation was received from Nkangala District Municipality.

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The municipality continues to improve on the backlogs on basic service delivery. Currently, on the 15201 households, only 3,8% is still without basic service level water provision, 15,7% without basic service level sanitation, 14,6% without electricity supply, 16,6% without refuse removal services and of the 1 158 640m of road infrastructure only 512 814m remains as road backlogs, this represents 44% of the gravel roads still to be surfaced.

Service Backlogs as at 30 June 2017				
Households (HHs)	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	14628	96	573	3,8
Sanitation	12802	83	2399	15,7
Electricity	12974	82	2227	14,6
Roads	645825	56	512814	44
Waste management	12675	81	2526	16,6
Housing		%		%
% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.				

## COMMENT ON BACKLOGS:

Of the R25 404 million MIG allocation, 0,4% was used to deal with the road backlogs. The rest of the allocation was used for water and sanitation. R 10 971 296 was used to deal with water backlogs, this represents 43,4% of the budget whilst R 13 057 937.00 was utilized to deal with sanitation backlogs, this represents 51,4% of the budget. The current funding model makes it difficult for the municipality to deal with backlogs decisively hence the pace of the reduction of the backlogs on service delivery is very slow. The municipality has more challenges with the current infrastructure that needs refurbishment and upgrading which is difficult to deal with in the current budget allocation as per the funding model.

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

One of the strategic objectives of Emakhazeni Local Municipality is to ensure efficient, effective cash flow management within the municipality. Cash flow is one of the most critical components of success of the municipality.

Currently the municipality is facing challenges in collecting receivables and in response to this challenge the municipality has implemented aggressive Revenue Enhancement measures. This has seen a great improvement in collection rate although the municipality is not at the desired level there has been great improvement.

Cash Flow Outcomes			
Description	Current: Year 2016/2017		
	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other	121 629	129 455	
Government – operating	56 899	58 182	
Government – capital	45 134	45 134	
Interest	4 258	501	
Dividends	–	–	
<b>Payments</b>			
Suppliers and employees	(195 635)	(199 054)	
Finance charges	(3 700)	(3 700)	
Transfers and Grants	–	–	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>28 585</b>	<b>30 517</b>	<b>–</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of PPE			
Decrease (Increase) in non-current debtors	–	–	–
Decrease (increase) other non-current receivables	–	–	–
Decrease (increase) in non-current investments	–	–	–
<b>Payments</b>			
Capital assets	(46 389)	(46 770)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(46 389)</b>	<b>(46 770)</b>	<b>–</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Short term loans	–	–	–
Borrowing long term/refinancing	–	–	–
Increase (decrease) in consumer deposits			
Movement in long service awards			
<b>Payments</b>	–	–	
Repayment of borrowing	–	–	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(17 804)</b>	<b>(16 252)</b>	<b>–</b>



Cash/cash equivalents at the year begin:	(39 879)	(39 879)	290 <sup>4</sup>
Cash/cash equivalents at the year end:	(57 683)	(56 132)	290 <sup>4</sup>

#### COMMENT ON CASH FLOW OUTCOMES:

Based on the draft cash flow presented above, it is evident that the municipality is operating under severe financial constraints

### 5.9 BORROWING AND INVESTMENTS

Municipal Investments			
	R' 000		
Investment* type	Actual 2013/2014	Actual 2014/2015	Actual 2016/2017
<b>Municipality</b>			
Securities - National Government	-	-	-
Listed Corporate Bonds	-	-	-
Deposits – Bank	4 013 361.66	5 719 848.00	
Deposits - Public Investment Commissioners	-	-	-
Deposits - Corporation for Public Deposits	-	-	-
Bankers Acceptance Certificates	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-
Repurchase Agreements - Banks	-	-	-
Municipal Bonds	-	-	-
Other	-	-	-
<b>Municipality sub-total</b>	<b>4 013 361.66</b>	<b>5 719 848.00</b>	<b>-</b>

#### COMMENT ON BORROWING AND INVESTMENTS:

The Emakhazeni Local Municipality had a short - term loan which was fully paid at the end of the financial year ending 2016/2017.

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## **5.10 PUBLIC PRIVATE PARTNERSHIPS**

During the 2016-17 financial year, the municipality did not enter into any Public Private Partnerships.

## **COMPONENT D: OTHER FINANCIAL MATTERS**

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## **5.11 SUPPLY CHAIN MANAGEMENT**

Council developed a Supply Chain Management (SCM) Policy and practices in compliance with the guidelines set down by the Supply Chain Management Regulations, 2005, which was approved with effect from 1 March 2006. The new Preferential Procurement Regulations, 2017, which came into effect from 1 April 2017 was incorporated on the reviewed policy that was effected as at 1 April 2017 and adopted. The SCM Policy incorporating the abovementioned regulations, as well as all other relevant legislation, regulations and circulars and are annually reviewed with the budget process.

The municipality's Supply Chain Management Unit had been successfully registered as a state organ under the National Treasury's eTender, as well as the Central Supplier Database portal, and tenders are being advertised through the same system to this end.

It be noted that full implementation of the procurement of goods and services from the CSD tax compliant service providers still remains a challenge, since the financial accounting system (Munsoft) of the Municipality is not yet synchronized with the CSD portal, which propels the Municipality to verify and capture service providers' information manually each a procurement needs to be done.

The municipality had however done very well, in terms of registration as an employer with the Construction Industry and Development Board website, since all construction procurement tenders are being advertised through the same website as required by the CIDB Act.

The committee system of council, is functional, as all committee members were appointed by the Municipal Manager in writing. It be noted that committee members were also trained by Mpumalanga Provincial Treasury during the 2015/16 financial year, and another training had been arranged to take place in August 2017.

A new standard on Infrastructure Procurement and Delivery Management had been introduced since National Treasury had issued a circular to that effect. It be noted that the Municipality had then developed and adopted Policy to that effect. Six (06) Municipal officials had been trained in order to understand how the standard would be implemented to that effect, which the training was conducted by Council for Engineering South Africa (CESA), as recommended by the National Treasury.

## **5.12 GRAP COMPLIANCE**

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to prepare their financial Statements. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The municipality is expected to fully comply with all GRAP standards.

## **CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS**

It is the responsibility of management to ensure that Annual Financial Statements of Emakhazeni Local Municipality fairly present financial position of the municipality. The presented Annual Financial Statements consist of the following:

1. Statement of Financial Position
2. Statements of Financial Performance
3. Statements of Changes in Net Assets
4. Cash Flow Statements
5. Statements of Comparison of Budget and Actual Amounts
6. Accounting policies
7. Notes to the Financial Statements.

The submission of the above Annual Financial Statements is in compliance with section 126 of Municipal Financial Management Act, Act No 56 of 2003.

### **COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2016/17**



AUDITOR - GENERAL  
SOUTH AFRICA

E.K Tshabalala  
The accounting officer  
Emakhazeni Local Municipality  
P.O. Box 17  
Belfast  
1100

Date: 05 December 2017

Reference: 02064REG16/17

Dear Madam

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Emakhazeni Local Municipality for the year ended 30 June 2017.**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. In terms of section 121(3) (municipality); of the MFMA]; you are required to include the audit report in the Municipalities' annual report to be tabled.
3. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. Your cooperation to ensure that all these requirements are met would be much appreciated.

# Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Emakhazeni Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Emakhazeni Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Emakhazeni Local Municipality as at 30 June 2017 and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

### Basis for qualified opinion

#### Property, plant and equipment

3. The municipality recognised items of work in progress that they did not own, contrary to the requirements of GRAP 17, *Property, plant and equipment*. The municipality also recognised work in progress that related to other third parties. Consequently, the work in progress was overstated by R7 330 688.
4. I was unable to obtain sufficient appropriate evidence for property, plant and equipment, as the municipality did not provide supporting documents for prior period adjustments amounting to R15 585 939.
5. In addition, I was unable to obtain sufficient appropriate evidence for disposals amounting to R5 353 097.
6. I was unable to confirm property, plant and equipment by alternative means, as the records of the municipality did not permit this. Consequently, I was unable to determine whether any further adjustments were necessary relating to property, plant and equipment of R794 380 178 (2015-16: R792 199 097) stated in note 7 to the financial statements.

## Revenue from non-exchange transactions

7. The municipality did not recognise revenue from non-exchange transactions in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality did not bill some of the properties included in the valuation roll. Furthermore, in some instances, the municipality did not bill customers in line with the rates detailed in the approved policy. I was unable to quantify the extent of the misstatement of revenue from property rates disclosed at R53 459 890 (2015-16: R29 065 057) in note 21 to the financial statements, as it was impractical to do so.

## Receivables

8. The municipality included debtors with credit balances as part of receivables from exchange transactions in contravention of the requirements of GRAP 1, *Presentation of financial statements*. Consequently, receivables from exchange transactions was understated by R8 596 471. Payables was understated by the same amount.

## Cash flow statement

9. The municipality, did not fairly present the cash flow statement in accordance with the requirements of GRAP 1, *Presentation of the financial statements*, as differences amounting to R63 949 866 were identified. I was unable to satisfy myself as to the completeness and accuracy of the cash flow information, due to numerous items contributing to the qualified opinion that affected the items in the statements of financial position and performance. Consequently, the cash flow statement was misstated.

## Context for the opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
11. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matters**

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Restatement of corresponding figures**

14. As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2017.

## **Material losses**

15. As disclosed in note 35.1 to the financial statements, material losses of R2 580 820 (2015-16: R9 356 700) were incurred as a result of electricity distribution losses, which represented 15% (2015-16: 24%) of the total electricity purchased.
16. As disclosed in note 35.1 to the financial statements, material losses of R4 135 348 (2015-16: R3 740 282) were incurred as a result of water distribution losses, which represented 55% (2015-16: 52%) of the total water purchased.

## **Material impairments**

17. As disclosed in notes 3 and 4 to the financial statements, the receivables balances were significantly impaired. The impairment of receivables from exchange transactions amounted to R90 687 408 (2015-16: R78 983 795), which represented 79% (2015-16: 83%) of the total receivables from exchange transactions. The impairment of receivables from non-exchange transactions amounted to R68 965 609 (2015-16: R51 261 836), which represented 80% (2015-16: 83%) of the total receivables from non-exchange transactions. The contribution to the provision for debt impairment was R29 407 386 (2015-16: R0).

## **Other matter**

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## **Unaudited disclosure notes**

19. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.



## **Responsibilities of the accounting officer**

20. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
21. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to either liquidate the municipality or cease operations, or there is no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the financial statements**

22. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
23. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

24. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
25. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

26. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

<b>Development priorities</b>	<b>Pages in the annual performance report</b>
KPA 1 – service delivery and infrastructure development	x – x
KPA 2 – local economic development	x – x
KPA 4 – good governance and public participation	x – x
KPA 6 – spatial rationale	x – x

27. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
28. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

#### **KPA 1 – service delivery and infrastructure development**

Reported indicators and targets not consistent when compared to planned indicators and targets

29. The following indicators and targets as reported in the annual performance report were not consistent with the approved indicators and targets in the service delivery agreement. This was not in line with the requirements of section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000).

<b>Indicator per service delivery and budget implementation plan</b>	<b>Indicator per annual performance report</b>	<b>Target per service delivery and budget implementation plan</b>	<b>Target per annual performance report</b>
% progress towards the implementation of the refurbishment of Emgwenya waste water treatment works by 30 June 2017	% progress towards the refurbishment of Belfast WTW new infrastructure project and installation of the elevated tank in extension 2 by 30 June 2017	100% refurbishment of Belfast WTW new infrastructure project and installation of the elevated tank in extension 2 by 30 June 2017	100% refurbishment of Belfast WTW new infrastructure project and install elevated tank by 30 June 2017

30. The method of calculation for the achievement of the planned indicators was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI) in the following instances:

<b>Performance indicator</b>	<b>Target</b>
% progress towards the implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017
% progress on the implementation of the provision of waterborne sanitation for Sakhelwe extension 2 by 30 June 2017	100% implementation of the provision of waterborne sanitation for Sakhelwe extension 2 by 30 June 2017
% progress on the implementation of Emthonjeni extension 4 and Enkanini township: provision of water reticulation for 800 stands by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of water reticulation for 800 stands by 30 June 2017
% progress on the implementation of Madala township: provision of water reticulation for 500 phase 2 by 30 June 2017	100% implementation of Madala township: provision of water reticulation for 500 phase 2 by 30 June 2017
% progress on the implementation of Madala township: provision of waterborne sanitation for 500 stands phase 2 by 30 June 2017	100% implementation of Madala township: provision of waterborne sanitation for 500 stands phase 2 by 30 June 2017
% progress on the implementation of water supply in rural areas phase 7 by 30 June 2017	100% implementation of water supply in rural areas phase 7 by 30 June 2017
% progress on the implementation of upgrading of water infrastructure for Emgwenya township phase 1 by 30 June 2017	100% implementation of upgrading of water infrastructure for Emgwenya township phase 1 by 30 June 2017
% progress towards the implementation of the upgrade and relocation of the Mandela pump station phase 1 by 30 June 2017	100% implementation of the upgrade and relocation of the Mandela pump station phase 1 by 30 June 2017
% progress towards the implementation of the refurbishment of Belfast waste water treatment works and pump stations by 30 June 2017	100% implementation of the refurbishment of Belfast waste water treatment works and pump stations by 30 June 2017
% progress towards the implementation of the refurbishment of Emgwenya waste water treatment works by 30 June 2017	100% refurbishment of Belfast wtw new infrastructure project and installation of the elevated tank in extension 2 by 30 June 2017
% progress towards the implementation of the refurbishment of Emthonjeni waste water treatment works by 30 June 2017	100% implementation of the refurbishment of Emthonjeni waste water treatment works by 30 June 2017

31. The targets below as determined during the planning of the indicators were not specific in clearly identifying the nature and required level of performance. They were also not measurable.

<b>Key performance indicator</b>	<b>2016-17 annual target</b>	<b>Assessment</b>
% progress on the implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017	100% progress on the implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017	The completion certificate inspected related to phase 3

Key performance indicator	2016-17 annual target	Assessment
% progress on the implementation of water supply in rural areas phase 7 by 30 June 2017	100% implementation of water supply in rural areas phase 7 by 30 June 2017	The completion certificate inspected related to phase 8
Number of households provided with electrical services to eradicate backlogs by 30 June 2017	421 households provided with electrical services to eradicate backlogs by 30 June 2017	The area/location of the houses was not specified
Number of assessments conducted by the 10th of every month after the quarter ends of 2016-17 financial year	4 assessments conducted by the 10th of every month after the quarter ends of 2016-17 financial year	The wording 'assessments on the target' was not clear as there was no indication of what kind of assessments would be performed

32. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the targets listed below. This was due to a lack of technical indicator descriptions and proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported, as required by the FMPP.

Indicator	Target	Reported achievement
% progress towards the implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of waterborne sanitation for 800 stands phase 2 was attained by 30 June 2017
% progress on the implementation of the provision of waterborne sanitation for Sakhelwe extension 2 by 30 June 2017	100% implementation of the provision of waterborne sanitation for Sakhelwe extension 2 by 30 June 2017	100% implementation of the provision of waterborne sanitation for Sakhelwe extension 2 was attained by 30 June 2017
% progress on the implementation of Emthonjeni extension 4 and Enkanini township: provision of water reticulation for 800 stands by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of water reticulation for 800 stands by 30 June 2017	100% implementation of Emthonjeni extension 4 and Enkanini township: provision of water reticulation for 800 stands by was attained 30 June 2017
% progress on the implementation of Madala township: provision of water reticulation for 500 phase 2 by 30 June 2017	100% implementation of Madala township: provision of water reticulation for 500 phase 2 by 30 June 2017	100% implementation of Madala township: provision of water reticulation for 500 phase 2 was attained by 30 June 2017
% progress on the implementation of Madala township: provision of waterborne sanitation for 500 stands phase 2 by 30 June 2017	100% implementation of Madala township: provision of waterborne sanitation for 500 stands phase 2 by 30 June 2017	100% implementation of Madala township: provision of waterborne sanitation for 500 stands phase 2 was attained by 30 June 2017
% progress on the implementation of water supply in rural areas phase 7 by 30 June 2017	100% implementation of water supply in rural areas phase 7 by 30 June 2017	100% implementation of water supply in rural areas phase 7 was attained by 30 June 2017
% progress on the implementation of upgrading of water infrastructure for Emgwenya township phase 1 by 30 June 2017	100% implementation of upgrading of water infrastructure for Emgwenya township phase 1 by 30 June 2017	100% implementation of water supply in rural areas phase 7 was attained by 30 June 2017

Indicator	Target	Reported achievement
% progress towards the implementation of the upgrade and relocation of the Mandela pump station phase 1 by 30 June 2017	100% implementation of the upgrade and relocation of the Mandela pump station phase 1 by 30 June 2017	100% implementation of the upgrade and relocation of the Mandela pump station phase 1 was attained by 30 June 2017
% progress towards the installation of new 132/11 kva 20 mva substation for Belfast town and Siyathuthuka township (pre-engineering) by 30 June 2017	100% installation of new 132/11 kva 20 mva substation for Belfast town and Siyathuthuka township (pre-engineering) by 30 June 2017	100% of (pre-engineering) installation of new 132/11 kva 20 mva substation for Belfast town and Siyathuthuka township was attained by 30 June 2017
% progress towards the implementation of the refurbishment of Belfast waste water treatment works and pump stations by 30 June 2017	100% implementation of the refurbishment of Belfast waste water treatment works and pump stations by 30 June 2017	100% implementation of the refurbishment of Belfast waste water treatment works and pump stations was attained by 30 June 2017
% progress towards the implementation of the refurbishment of Emthonjeni waste water treatment works by 30 June 2017	100% implementation of the refurbishment of Emthonjeni waste water treatment works by 30 June 2017	100% implementation of the refurbishment of Emthonjeni waste water treatment works was attained by 30 June 2017
% progress towards the implementation of the paving of roads around Emakhazeni local municipality (road 1 in Emgwenya phase 3) by 30 June 2017	100% implementation of the paving of roads around Emakhazeni local municipal city (road 1 in Emgwenya phase 3) by 30 June 2017	100% implementation of the paving of roads around Emakhazeni local municipality (road 1 in Emgwenya phase 3) was attained by 30 June 2017

33. The reported achievement of the indicator listed below was misstated, as the evidence provided did not agree to the reported achievement.

Key performance indicator	Assessment
Number of assessments conducted by the 10th of every month after the quarter ends of 2016-17 financial year	The assessment for the third quarter (ended 31 March 2017) was conducted on 1 June 2017, hence the target was not met

## KPA 6 – spatial rationale

34. The method of calculation for the achievement of the planned indicators was not clearly defined, as required by the FMPPI in the following instances:

Performance indicator	Target
% of building inspections that comply with National Building Regulation and Standards Act by 30 June 2017	100% of buildings inspected that comply with National Building Regulations and Standards Act by 30 June 2017
% of new registered building plan applications submitted and approved within agreed timeframes of 28 days by 30 June 2017	100% of new registered building plan applications submitted and approved within agreed timeframes of 28 days by 30 June 2017
% of building contraventions attended (submitted for legal action) within 6 weeks from detection by 30 June 2017	100% of building contraventions attended (submitted for council) within 6 weeks from detection by 30 June 2017

35. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the targets listed below. This was due to a lack of technical indicator descriptions and proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported, as required by the FMPPi.

Performance indicator	Target	Reported achievement
% of building inspections that comply with National Building Regulations and Standards Act by 30 June 2017	100% of buildings inspected that comply with National Building Regulations and Standards Acts by 30 June 2017	83% of buildings inspected comply with National Building Regulations and Standards Act by 30 June 2017
% of new registered building plan applications submitted and approved within agreed timeframes of 28 days by 30 June 2017	100% of new registered building plan applications submitted and approved within agreed timeframes of 28 days by 30 June 2017	100% of registered building plan applications were submitted and approved within approved timeframes of 28 days by 30 June 2017
% of building contraventions attended(submitted for legal action) within 6 weeks from detection by 30 June 2017	100% of building contraventions attended (submitted for council) within 6 weeks from detection by 30 June 2017	100% of building contraventions were attended (submitted for legal action within 6 weeks from detection by 30 June 2017)

## Other matters

36. I draw attention to the matters below.

### Achievement of planned targets

37. Refer to the annual performance report on page x to x for information on the achievement of planned targets for the year and explanations provided for the underachievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 30 to 36 of this report.

### Adjustment of material misstatements

38. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1 – service delivery and infrastructure development, KPA 2 – local economic development, KPA 4 – good governance and public participation, and KPA6 – spatial rationale. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included as material findings above.

## **Introduction and scope**

39. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
40. The material findings on compliance with specific matters in key legislation are as follows:

## **Annual financial statements, performance report and annual report**

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Some material misstatements identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected misstatements resulted in the financial statements receiving a qualified audit opinion.

## **Budgets**

42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R9 564 767, as disclosed in note 40.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the fuel account of the municipality.

## **Expenditure management**

43. Money owed by the municipality was not always paid within 30 days, as required by sections 65(2)(e) of the MFMA.
44. Effective steps were not taken to prevent irregular expenditure amounting to R413 692 as disclosed in note 40.3 to the annual financial statements, in contravention of section 62(1) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with the Supply Chain Management Regulations.
45. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 472 602, as disclosed in note 40.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the late payment of invoices.

## **Revenue management**

46. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
47. Some of the revenue due to the municipality was not billed on a monthly basis, as required by section 64(2)(b) of the MFMA.



48. Some of the accounts for service charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

#### Procurement and contract management

49. Commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by preferential procurement regulation 9(1).

#### Asset management

50. Capital assets were permanently disposed of without the approval of the council, contrary to section 14(2)(a) of the MFMA.
51. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA

#### Consequence management

52. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
53. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
54. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

#### Other information

55. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
56. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
57. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.



58. I have read the other information included in the draft annual report and have nothing to report in this regard.
59. I have not yet received the final annual report containing the other information. When I do receive this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and to request the other information to be corrected. If the other information is not corrected, I may have to re-issue my auditor's report amended as appropriate.

#### Internal control deficiencies

60. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report, and the findings on compliance with legislation included in this report.

#### Leadership

61. The accounting officer did not adequately review the financial statements and annual performance report prior to their submission for auditing.
62. The accounting officer delegated the implementation of daily and monthly controls to management. However, the monitoring tools used by the accounting officer to monitor the implementation of these controls were not effective to identify challenges faced by the municipality and to allow timely corrective action where required.

#### Financial and performance management

63. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
64. Management did not ensure that daily and monthly controls were effectively and consistently implemented throughout the period.
65. Management at the appropriate level did not ensure that compliance with applicable laws and regulations was adequately reviewed and monitored throughout the year, which resulted in non-compliance with supply chain management prescripts.
66. Supporting schedules submitted with the financial statements for auditing were not adequately reviewed for accuracy and completeness, as errors were noted in these schedules during the audit.
67. Staff did not fully understand the financial and performance information requirements.

## Governance

68. The internal audit unit and audit committee operated effectively during the current period as per their legislated mandate. Recommendations were made to management on the improvement of internal controls to ensure reliable reporting on both financial and performance information as well as compliance with legislation. However, this did not result in the improvement of the controls due to management's lack of implementation of the recommendations, which led to the adverse assessment of the impact this unit and committee had.

Auditor-General

Mbombela

5 December 2017



*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

COMMENTS ON AUDITOR-GENERAL'S OPINION 2016/17

The municipality has received a Qualified audit opinion , and we have already developed an action plan to deal with all the issues raised by the office of the Auditor General. The municipality has established the clean audit committee to monitor the implementing of the action plan.

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief financial officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief financial Officer)..... Dated

## APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Fulltime/ Part Time	Committees Allocated	Ward and/or party represented	Percentage Council meeting Attendance(14 Meetings held)	Percentage apologies for non- attendance
				%	%
N.A. Mashele	Full Time	Speaker, Council, Chairperson Rules and Ethics and Committee	ANC	86	14
T.D. Ngwenya	Full Time	Executive Mayor: Chairperson Mayoral Committee	ANC	100	0
M. Kambula	Full Time	MMC: LED/Planning, Technical & Community	ANC	93	7
S.S. Mthimunya	Full Time	MMC: Finance & Economic Affairs	ANC	93	7
T.E. Scheffers	Full Time	MMC: Corporate Services	ANC	100	0
X.D. Masina	Part Time	Chairperson : Municipal Public Accounts Committee	ANC	93	0
T.N. Masha	Part Time	Chairperson: LED/Planning, Technical & Community Services Section 79, Member Municipal Public Accounts Committee, Rules & Ethics	ANC	100	0
M. P. Ntuli	Part Time	Chairperson: Finance & Economic Affairs Section 79	ANC	71	29
T.C. Ngomane	Part Time	Interim Chairperson: Corporate Services Section 79	ANC	100	0
R. Ndlovu	Part Time	Member: LED/Planning, Technical & Community Services Section 79	ANC	86	7
S.I. Skhosana	Part Time	Member: LED/Planning, Technical & Community Services Section 79	EFF	86	7
S.S. Tshabalala	Part Time	Member: Municipal Public Accounts Committee	DA	100	0
D.M. Scheffers	Part Time	Member: Finance & Economic Affairs Section 79	DA	100(10 meetings)	0
A.A. Botha	Part Time	Member: Corporate Services Section 79	DA	86	14

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral Committee/Executive Committee) and purposes of Committees	
Municipal Committees	Purpose of Committee
Section 80 Committees	To discuss and consider items submitted by Administration and Councillors and make recommendations to the Mayoral Committee
Section 79 Committees	To monitor and play an oversight role on the implementation of Council resolutions.
Municipal Public Accounts Committee	To play an oversight role as per the guideline for Municipal Public Accounts Committee
Rules and Ethics Committee	To investigate and report to Council any suspected breaches of Code of Conduct by Councillors
Joint Audit Committee	Advise the municipal council, on matters relating to internal financial control and internal audits; risk management; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; and any other issues referred to it by the municipality
Risk Management Committee	The responsibility of the Risk Management Committee is to lay an oversight role on the implementation of remedial actions on risks identified.

EMAKHAZENI LOCAL MUNICIPALITY: ATTENDANCE OF COUNCIL														
COUNCILLORS	TD N	NA M	MK	TCN	MPN	XDM	SSM	DMS	NTM	TES	AAB	SST	SIS	RN
<b>MEETINGS</b>														
S18/08/2016	1	1	1	1	1	1	1		1	1	1	1	1	1
13/09/2016	1	A	1	1	1	1	1		1	1	1	1	1	1
29/09/2016	1	1	1	1	A	1	1		1	1	1	1	1	1
27/10/2016	1	1	1	1	1	1	1		1	1	1	1	*	*
24/11/2016	1	1	1	1	1	1	1	1	1	1	A	1	1	1
25/01/2017	1	1	1	1	1	1	1	1	1	1	1	1	1	1
23/02/2017	1	1	1	1	1	1	1	1	1	1	1	1	1	1
30/03/2017	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11/04/2017	1	1	1	1	1	1	1	1	1	1	1	1	A	1
26/04/2017	1	1	A	1	A	*	1	1	1	1	1	1	1	1
03/05/2017	1	A	1	1	1	1	1	1	1	1	1	1	1	1
30/05/2017	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S15/06/2017	1	1	1	1	1	1	A	1	1	1	1	1	1	A
29/06/2017	1	1	1	1	1	1	1	1	1	1	A	1	1	1
<b>ATTENDED</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>11</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>14</b>	<b>14</b>	<b>12</b>	<b>14</b>	<b>12</b>	<b>12</b>
<b>NON ATTENDED</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>10</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
P=PRESENT														
L=LEAVE														
A=APOLOGY														
*=ABSENT														
ACB=APOLOGY COUNCIL BUSINESS														

### MAYORAL COMMITTEE MEETING

COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
TD NGWENYA	12	12
S.S MTHIMUNYE	12	12
M.KAMBULA	12	11
T.E. SCHEEFERS	12	12

## SECTION 80 COMMITTEE MEETINGS

MEETINGS	COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Finance & Economic Affairs Section 80 Committee	S.S. Mthimunya	10	10
Infrastructure Planning & Social Development Section 80 Committee	M. Kambula	11	11
Corporate Services Section 80 Committee	T.E. Scheffers	10	10

## SECTION 79 COMMITTEE: FINANCE & ECONOMIC AFFAIRS

COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
M.P. Ntuli	8	8
T.C. Ngomane	8	8
D.E. Scheffers	6	6
*Clr. S.S. Tshabalala	2	2

## SECTION 79 COMMITTEE: INFRASTRUCTURE PLANNING & SOCIAL DEVELOPMENT

COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
N.T. Masha	7	7
R. Ndlovu	7	7
S.S. Skhosana	7	5

## SECTION 79 COMMITTEE: CORPORATE SERVICES

COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
T.C. Ngomane	7	4
S.S Skhosana	7	7
Clr. A.A Botha	7	7
*Clr. A. Makuwa	7	2

## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

COUNCILLORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
X.D. Masina	12	12
N.T. Masha	12	8
*CLR. S.S. TSHABALALA	12	8

\*Represent Councillors who did not serve the full term of office.



## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE AS AT 30 JUNE 2017

THIRD TIER STRUCTURE		
Directorate	Title	Name
Office of the Municipal Manager	Municipal Manager	Mrs. E.K Tshabalala
	Deputy Manager : Public Participation	Mr. S. Maseko
	Manager: Office of the Executive Mayor	Mr. Z.S. Ntimane
	Senior Internal Auditor	Mrs. D.E. Ntshwane
	Risk Management Officer	Vacant
	Performance Management Officer	Mr. Z.G. Nkambule
	Youth Manager	Ms. P. J. Shongwe
	Transversal Issues Co-ordinator	Ms. Z. S. Mndawu
Planning and Development	Manager Planning and Development	Mr. L.D. Mkhonza
	Deputy Manager: LED/IDP	Mr. N.M. Moleleki
	Deputy Manager: Urban and Rural Development	Mr. W.M. Mtshweni
Financial Services Department	Chief Financial Officer	Mrs. M.M. Ngwenya
	Deputy Manager: Budget and Financials	Vacant
	Deputy Manager: Expenditure	Vacant
	Deputy Manager: Income	Ms. N.M. Mahlangu
	Deputy Manager: Supply Chain Management	Mr. K.T. Mahlangu
Technical Services Department	Manager Technical Services	Mr. L.O. Sindane
	Service Delivery Manager: Entokozweni & Emgwenya	Mr. V.A. Sibande
	Service Delivery Manager: Dullstroom & Emakhazeni	Vacant
	Deputy Manager: PMU	Mr. M. Munendevunyi
	Deputy Manager: Electrical Services	Vacant
Community Services Department	Manager Community Services	Vacant
	Deputy Manager: Enforcement, Security and Public Safety	Mr. V.S.H. Mnisi
Corporate Services Department	Manager Corporate Services	Mr. M.I. Abdullah
	Deputy Manager: Legal Services	Mr. M.T. Kutumela
	Deputy Manager: Labour Relations and Compliance	Mr. M.J. Sibanyoni
	Deputy Manager: HR, Records, Admin and Logistics	Mrs. S. Matsane
	Deputy Manager: ICT	Mr. N. Carroll

## APPENDIX D – FUNCTIONS OF MUNICIPALITY

Municipal Functions	
Constitution Schedule 4, Part B functions:	Applicable
Air pollution	Yes
Building regulations	Yes
Childcare facilities	Yes
Electricity and gas reticulation	Yes
Fire fighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Storm water management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Waste removal, waste dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes

Traffic and parking	Yes
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## APPENDIX E – WARD REPORTING

Ward 1			
Name and Surname	Postal address	Contact details	Number of meeting attended
Mr Thamsanqa Cyprian Masina	P O. Box 67 Stand no 2575 Siyathuthuka 1102	0713627126 0729424846	9
Mrs Nozizwe Prisca Nyauta	P.O. Box 67 Stand no 2255 Siyathuthuka 1102	0766498092	9
Mr Simon Mahlangu	P.O. Box 317 Paardeplaas Belfast 1100	0768136657	7
Miss Ester Molaleni Mahlangu	P.O. Box 63 Winterhoek Wonderfontein 1101	0711197307	5
Ms Paulina Kori Monate	P.O. Box 552 Stand no 4130 Siyathuthuka 1102	0711936836	7
Miss Busisiwe Jane Mhlabane	P.O. Box 550 Stand no 2083 Siyathuthuka 1102	0722779784	9
Sophy Sangweni	P.O. Box 9 Blesboksrut Farm Wonderfontein 1101	0799543024	7
Mr. Themba Arthur Tshabalala	P.O. Box Stand no 2304 Siyathuthuka 1102	0725790348	6
Geelboy Fuile Sbanyoni	Po Box 15 Wonderfontein 1101	073 8471 886	4

Ward 2			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Mrs Senzi Linah Mahlangu	Skiedpad Farm Stofberg 1056	0797090422	4
Mr David July Matshika	P.O. Box 1730 Stofberg 1050	0826337092	3
Ms Emma Nozipho Mahlangu	Deroodekop Farm Stofberg 1056	0791047699	8
Mr. Bhekumuzi Quezee Sibanyoni	P.O. Box 19 Stand no 33 Siyathuthuka 1102	0768317042	6
Mr Vusumuzi Amos Mthombeni	P.O. Box 175 Siyathuthuka 1102	0799028652	6
Ms Sarie Pauline Zimu	P.O. Box 139 Stand no 102 Siyathuthuka 1100	0827212463	6
Mrs Paulina Maredi	P.O. Box 778 Siyathuthuka 1102	0786316475	4
Joe KaBINI	P.O Box 10 Siyathuthuka 1102	0799864471	5
Thembi Mdzipa	Sterkloop Farm	0721104417	4

Ward 3			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Mrs Princess Nomsa Mahlangu	P.O. Box 573 Stand no 1603 Siyathuthuka 1102	0714721449	6
Mr Mkhulu Peter Mapane	P O Box Stand 918	0834844594	5

	Siyathuthuka 1102		
Mr Buti Bongani Maseko	Stand no 678 Siyathuthuka 1102	0763168698	7
Mr Christian Mike Baloyi	P.O. Box 125 Siyathuthuka Stand No 1369 1102	0721002892	5
Emily Mongwe	Stand No 885 Khayalami Street, Siyathuthuka.	073 2050 185	5
Nomsa Mokwena	Stand No 697 , Siyathuthuka 1102	079 0150 080	3
Nelly Maimela	Stand No 1626 Thula Street Siyathuthuka , 1102.	072 6089 517	4
G.T Mazibuko	641 Sakhile Street, Siyathuthuka 1102.	079 666 9617	3
Victor Macdonald	536 Enkolweni street Siyathuthuka 1102	073 141 3253	3
Mr Isaac Cyprian Zimu	P.O. Box 17 Belfast 1100	072 6635 858	7

Ward 4			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Mr Vusi Mkhabela	P.O. Box 1146 Sakhelwe 1110	0734541281	5
Mr Tsepo France Mthimunye	P.O. Box 1197 Sakhelwe 1110	0839434744	5
Mr Simon Mosotho	Lunsklip Farm Santa Dullstroom 1110	0729392245	6
Mr Dipuo Johannes Ntshwani	P.O. Box 61 Sakhelwe 1110	0725587540	6
Berendina Dimakatso Young	596 /2 Sakhelwe location 1110.	07301583983	4
Petros Mthimunye	Stand No 974 Sakhelwe Dullstroom 1110.	06041739255	5

Amos Mkhonto	Stand No 945, Sakhelwe , Dullstroom 1110.	0839434744	6
Mike Brett	mtbrett@mweb.co.za	082 494 4099	5

Ward 5			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Ms Mirriam Nkosi	P.O. Box 358 Stand no 867 Emthonjeni 1170	0728515466	6
Ms Zanele Grace Moshabalo	P.O. Box 177 Stand no 647 Emthonjeni 1170	0782796862	8
Miss Smangele Princess Duma	P.O. Box 496 Stand no 25 Emthonjeni 1170	0728592612	0
Ms Sonto Reginah Malaza	P.O. Box 434 Stand no 868 Emthonjeni 1170	0765060974	6
Ms Danisile Christina Maseko	P.O. Box 31 Stand 758 Emthonjeni 1170	0728711131	7
Ms Msesi Mary Takwende	Arlie Farm Waterval Boven 1195	0717963203	2
Ms Nonhlanhla Betty Nkosi	P.O. Box 330 Stand no 722 Emthionjeni 1170	0833718065	6
Mr Daniel Skhumbuzo Qala	P.O. Box 388 Stand no 724 Emthonjeni 1170	0833335056	5
Mr Wilkies Kleinbooi Shabalala	P.O. Box 555 Stand no 783 Emthonjeni 1170	0729796061	9

Ward 6			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Mr. Babili Shongwe	P.O. Box 630 Stand no 1465 Emthonjeni 1170	0637805711	5
Mr Fannie Sifiso Masuku	P.O. Box 586 Stand no 1275 Emthonjeni 1170	0769954862	6
Mr Meshack Bheki Mavuso	P.O. Box 324 Stand no 1002 Emthonjeni 1170	0760634810	4
Mrs Patience Mihome Duma	P.O. Box 644 21 Rivier Street Machadodorp 1170	0719392921	5
Ms Veronica Nombango Ngwenya	P.O. Box 249 Stand no 1626 Emthonjeni 1170	0834254909	4
Mrs Magareth Mhlatasi Nkosi	P.O. Box 340 Stand no 315 Emthonjeni 1170	0731413547	5
Mr Lucas Sbusiso Sindane	P.O. Box 578 Winnarspoort Farm Machadodorp 1170	0832044753	4
Vusi skhosa	Winnarsport , Farm Machadodorp 1170	083 2044 753	1
Lucas Sindane	Winnarsport Farm,Box 578 Machadodorp 1170.	0769493331	2
Mr Lucas Andries Dladla	P.O. Box 1238 Palmer Farm Belfast 1100	0720642589	4

## Ward 7



Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Ms Monase Joana Mbaziwa	P.O. Box 1095 Stand no 358 Waterval Boven 1195	0723159776	1
Mr Jerry Fakude	P.O. Box 1328 Waterval Boven 1195	0728776977	5
Mr Lindani Kenneth Mthimunye	P.O. Box 195 Stand no 130 Waterval Boven 1195	0721132334	2
Amos Vuma	Stand No 1098, Box 1041 Waterval, 1095.	0723316933	5
Joana Mbaziwa	358 Sgwabula , Waterval Boven 1195	0723159776	5
Jeaneth Nkosi	327 Sgwabula .Box 288 , Waterval Boven ,1195	0765896508	4
Ivy busisiwe Msimango	P O Box 1325 , Waterval Boven , 1195	0720810480	2
Gert lombard	14 <sup>th</sup> 2 <sup>nd</sup> Avenue Waterval Boven 1195	0827030616	3
MAthebula Sunnyboy	P O Box 459 Waterval Boven 1195.	0827030616	3
Moses Moya	P O Box 1325 , Waterval Boven 1195	072 6931 750	3

Ward 8			
Name and Surname	Postal Address	Contact Details	Number of Meeting Attended
Mr Fananyana Johannes Mthimunye	Tweefontein Farm Belfast 1100	0722052518	3
Mrs Thabisile Octavia Tshabalala	62 Church Street Belfast 1100	0767764155	3
Mr Sbusiso Patrick Masango	P.O. Box 871 Belfast 1100	0724477191	3
Mr Daniel John Janse Van Resburg	P.O. Box 506 51 Du Plooy Street	0823379933	3

	Belfast 1100		
Mr Daniel Foyoyo Maseko	73 Mc Donald Street Belfast 1100	0723252934	3
Gugu Mahlangu	P O box 158 Dalmanutha Farm Emakhazeni 1100.	0799761881	2
Mr Gibson Violent Mtetwa	P.O. Box 45 Belfast 1100	0797523305	3
Mr Siyaphi Mthimunye	P.O. Box 1214 Belfast 1100	0836568080	3

#### APPENDIX F – WARD INFORMATION

## APPENDIX G: ANNUAL REPORT OF THE AUDIT COMMITTEE FOR 2016/2017 FINANCIAL YEAR

### ANNUAL REPORT OF THE AUDIT COMMITTEE FOR 2016/2017 FINANCIAL YEAR

We are pleased to submit the Annual Report of the Audit Committee for the year ended 30 June 2017

#### BACKGROUND

Emakhazeni Local Municipality is part of the Nkangala shared Audit committee. The Audit Committee was established in terms of Section 166 of the Municipal Finance Management Act (MFMA), (Act No.56 of 2003). The Audit Committee has adopted its written terms of reference.

#### Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee. The Audit Committee is an independent advisory body that advises council, political office bearers, accounting officer, and the staff of the municipality on the following:

- Internal financial control and internal audit;
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance;
- Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;
- Performance evaluation;
- Any other issues referred to by the municipality;
- Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA, ect.
- Respond to Council on any matter raised by the Auditor-General (AGSA); and
- Carry out such investigation into financial of the municipality as may be prescribed from to time.

#### ATTENDANCE OF MEETINGS

Name of member	Ordinary meetings	Special meetings	Total	Attendance in total
Mr.M.A Mapheto (Chairperson)	2	1	6	3
Mr. V K Chuene	4	2	6	6
Mr. L Langalibalele	4	1	6	5
Mr. M Mathabathe	4	1	6	5
Advocate Thubakgale L	3	1	6	4

The following although not members of the Audit committee, have standing invitation to Audit Committee meetings:

- (i) The Accounting Officer
- (ii) The Chief Financial Officer
- (iii) The Section 56 Managers/ Departmental Heads
- (iv) The Auditor-General
- (v) The National Treasury
- (vi) Mpumalanga Provincial Treasury
- (vii) Mpumalanga Department of Cooperative Governance
- (viii) South African Local Government Association (SALGA)
- (ix) Internal Audit (Secretariat function)

## **INTERNAL AUDIT**

The Internal Audit of Emakhazeni Local Municipality is in-house and has discharge its mandate in terms of its Charter.

The following documents were reviewed by the Audit Committee and recommended to Council for approval

- Internal Audit Charter 2016/2017
- Internal Audit Methodology 2016/2017
- Three-year rolling Strategic and Annual Audit Plan

The internal Audit function is receiving support from Nkangala District municipality.

## **EFFECTIVENESS OF INTERNAL CONTROLS**

The Audit committee is concerned about the staff in the Internal Audit Unit, as Internal Audit Unit has only two staff members; management is requested to employ more staff members in order to improve capacity in the Internal Audit Unit.

The Internal Audit Unit is receiving support from Nkangala District Municipality on some of the projects that undertaken by the municipality.

The Internal Audit managed to conclude all projects as per audit plan

The following matters were raised by the Audit committee and management has put in strategies to address the Audit Committee concerns amongst matters that were raised are as follows:

- Outstanding Eskom account
- Increase in outstanding debtors
- Cascading of performance to all posts levels within the municipality
- Increase in distribution losses in both electricity and water

The following Internal audit reports are among others that were presented to the audit Committee

- Audit of quarterly performance information;
- Expenditure Management;
- Supply Chain Management; and
- Integrated Development Plan

- ICT

There has been an improvement by management in responding to internal audit reports and that can be attributed to appointment of the Municipal Manager.

Audit Committee has also urged management to fill all strategic positions and to draw up action plan to address issues raised by the Auditor-General in the management letters and audit report and this plan is a standing item in the AC meeting

### **RISK MANAGEMENT**

The municipality has a Risk Management Unit that consist of one member that is a concern for the Audit committee regarding the effectiveness of the Risk Management Unit and the Risk Chairperson has been appointed and four (4) meetings were held for the year under review.

The Audit committee advises management to employ more staff in the unit.

The following policies have been reviewed

- Risk management strategy
- Risk management policy
- Whistle blowing policy
- Fraud prevention plan and fraud prevention policy.

### **PERFORMANCE MANAGEMENT**

The Audit committee has reviewed the Annual Performance Information Report in the meeting held on the 29 August 2017.

### **YEAR-END REPORTING**

The Audit Committee has reviewed the Annual Performance Information Report before submitted to the Auditor-General and management was advised to effect the necessary changes before submission to the Auditor - General. However, the quality of the quarterly reports submitted by management during the year under review has improved however there is still room for improvement.

### **EVALUATION OF ANNUAL FINANCIAL STATEMENTS**

The Audit committee, on its meeting held on the 30 August 2017 to discuss the Draft Annual Financial statements with the Accounting Officer, before submitting to the Auditor General. The Audit committee wishes to indicate that it performed a review on the Annual Financial Statements focusing among others:

- Significant financial reporting judgments and estimates contained in the Annual Financial Statements.
- Clarity and completeness of disclosures has been set properly
- Quality and acceptability of and any changes in accounting policies and practice.
- Compliance with GRAP standards
- Significant adjustments arising from the audit
- Reasons for major year to year fluctuations

The Audit committee has:

- Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.
- Reviewed the Auditor General Management report and management response thereof.
- Reviewed the municipality compliance with legal and regulatory provisions and;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

## **CONCLUSION**

The Audit committee acknowledges the co-operation and assistance by the Emakhazeni Local Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Executive Mayor, Accounting Officer and Management of Emakhazeni Local Municipality in strengthening Corporate Governance and working towards a clean audit goal.

A special thanks to the current Senior Internal Auditor, Ms D Ntshwane and her staff for the support as well Nkangala District Municipality for their support and commitment to the work of the Audit Committee

The Audit Committee Chairperson remains confident of these matters receiving due consideration and intervention. We are committed to fully execute our oversight function and strengthening Corporate Governance.

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**MR AM MMAPHETO**

**CHAIRPERSON OF THE AUDIT COMMITTEE**

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**DATE**

IMPLEMENTATION OF AUDIT COMMITTEE RECOMMENDATIONS			
RESPONSIBLE SECTION	DATE OF MEETING	RECOMMENDATION	Adopted (Yes/No)
Financial department	10 August 2016	Management should ensure that the report is submitted on time to allow Audit committee to do oversight	Yes
	10 August 2016	Management must come up with the plan for the compilation of annual financial statements and the AFS should be submitted to Internal Audit for reviewal with all supporting documents Finance staff must work overtime to ensure that AFS are submitted on time	Yes
	10 August 2016	Management should ensure that all findings are resolved before the end of the financial year	Yes
	16 November 2016	The municipality must stick to the adopted action plan for the implementation of MSCOA	Yes
	16 November 2016	Council must appoint service providers early if the preparation of the financial statements will be outsourced	Yes
	22 February 2017	The municipality must improve payments of contractors to avoid using deviations for supply of commodities were service providers have already been appointed e.g. chemicals	Yes
	19 May 2017	Reconcile the valuation roll and financial system to ensure completeness of revenue  CFO to ensure that Finance related reports are submitted on time	Yes
Risk Management	16 November 2016	Management should continue attending risk meetings in order to mitigate risk on time and CFO should be encouraged to attend Risk committee meetings	Yes
	16 November 2016	Risk Officer should conduct operational risk assessment and take the document for approval before the start of the financial year	Yes
Legal department	10 August 2016	Management should finalize litigation matters that can be finalised internally	Yes
Internal audit	10 August 2016	Management should co-operate with the Internal Audit by providing management comments on time	Yes
	16 November 2016	Internal audit should take into account the risk register when developing a risk based plan and annual audit plan.	Yes

	22 February 2017	Internal Audit must verify existence of projects	Yes
	19 May 2017	Management should ensure that Internal Audit recommendations are implemented on time	Yes
Performance	10 August 2016	Management should provide information on performance and corrective action was they have not achieved.	Yes
HR Reports	16 November 2016	Management should ensure that reports are submitted to the next Risk Management committee	Yes
Technical Services	22 February 2017	Management should indicate in a report on how they intend to improve capital expenditure	Yes
ICT	22 February 2017	Management should expedite testing of the site ICT manager must prioritise reviewal of the ICT strategic plan	Yes
Municipal manager	22 February 2017	Management must update the report and submit it the next audit committee in order in order for audit committee to do proper oversight on implementation of Council resolutions	Yes
	19 May 2017	Management to ensure that all AG findings are resolved	Yes

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

THERE WERE NO LONG TERM CONTRACTS AWARDED BY THE MUNICIPALITY OTHER THOSE MENTIONED IN APPENDIX I. THE MUNICIPALITY HAS NO PPP AGREEMENTS SIGNED DURING THE YEAR IN QUESTION.



## APPENDIX I–SERVICE PROVIDER PERFORMANCE SCHEDULE

This section serves to evaluate the Service Provider's performance in respect of provisions of the contract and the product that the Service Provider delivered for all aspects of the project scope. The Evaluation criteria are based on a scale of 1-5 and each of aspects measured relate to the successful completion of the project. The evaluation score guide on the performance of the service providers is as follows:

5	Excellent	Performance far exceeds the standard expected of a service provider at this level. The review/assessment indicates that the Service Provider has achieved above fully effective results against all performance criteria and indicators as specified in the contract and scope of work and maintained this in all areas of responsibility throughout the term of contract.
4	Good	Performance is significantly higher than the standard expected in the job. The review/assessment indicates that the Service Provider has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the term of contract.
3	Average	Performance fully meets the standards expected in all areas of the job. The review/assessment indicates that the Service Provider has fully achieved effective results against all significant performance criteria and indicators as specified in the contract and scope of work.
2	Below Average	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the Service Provider has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the contract and scope of work.
1	Unacceptable	Performance does not meet the standard expected for the job. The review/assessment indicates that the Service Provider has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the contract and scope of work. The Service Provider has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.

## ASSESSMENT OF THE PERFORMANCE OF SERVICE PROVIDERS

### FINANCIAL SERVICES DEPARTMENT

NO	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
1	Munsoft	Provision and Maintenance of Municipal Financial Accounting System	30 June 2005	Long-term	30 June 2005	When services are terminated	This is an on-going contract, which is being reviewed on a year to year	None	None	4
2	VIP Sage	Procurement of Software License for the Municipal Payroll	30 June 2005	Long-term	30 June 2005	When services are terminated	This is an on-going contract, which is being reviewed on a year to year	None	None	4
3	Protea Coin	Provision of Cash Management Services – Cash-in-Transit	24 January 2014	12 Months	24 January 2014	A long term contract with the current Municipal banker (FNB) is to be sought	This is an on-going contract, which is being reviewed on a month to month	None	None	4
4	Utilities World	Vending of electricity and data hosting	13 March 2015	Month to Month	13 March 2015	A long term contract is to be sought	This is an on-going contract, which is being reviewed on a month to month	None	None	4

NO	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
5	Uniqueco	Compilation of general valuation roll and supplementary valuation roll	06 March 2015	12 Months	06 March 2015	Month to month contract	This is an on-going contract, which is being reviewed on a month to month	None	None	4
6	Lateral Unison	Insurance Broker	19 September 2012	60 Months	17 June 2016	16 June 2019	This is an on-going contract, which has another 20 months to go, and their responses to claims lodged is satisfactory	A concern is of lack of assessments to the third party claims, which always results in that the Municipality be liable to payments as a result of claims being within the excess	A meeting is sought between the Municipality and Lateral Unison	4
7	M and B Fuels (Belfast total Boutique Garage)	Supply of Fuel, Lubricants and Oils	01 February 2014	Month to Month Orders	01 February 2014	30 June 2017	Good progress was made as at 30 June 2017 as this is a continuous service required	None	None	5

NO	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
							by the Municipality			
8	Mega Works Trading Enterprises 56	Appointment as a service provider for the supply, delivery and off-loading of stationery and cartridges as and when required	15 June 2016	24 Months	15 June 2016	14 June 2018	This is an on-going contract, which has another 10 months to go, and their service is satisfactory	None	None	4
9	Camperdown Environmental Services	Appointment as a service provider for the supply, delivery and off-loading of cleaning materials as and when required	15 June 2016	24 Months	15 June 2016	14 June 2018	This is an on-going contract, which has another 10 months to go, and their service is satisfactory	None	None	4
10	Lanoem Trading (Pty) Ltd	Appointment as a service provider for the supply, delivery and off-loading of cleaning materials as and when required	15 June 2016	24 Months	15 June 2016	14 June 2016	This is an on-going contract, however the company requested to be excused for some time due to challenges that they	None	None	1

NO	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
							encountered			
11	Ducharme Consulting	Appointment as a service provider for the compilation of a grap compliant fixed asset register and the valuation of the landfill sites for the financial year-end 2016/17	05 April 2017	07 Months	05 April 2017	30 Nov 2017	The project is progressing well, in that a process of unbundling the projects under investigation is underway, and also with other queries raised by AG are on track in terms of addressing in as far as the FAR is concern	None	None	4
12	Ducharme Consulting	Appointment as a service provider for the compilation of the annual financial statements for the financial year-end 2016/17	31 May 2017	06 Months	31 May 2017	30 Nov 2017	The project is progressing well, even though it is at the planning stage, and the requests for information are still being sent out to various end-users	None	None	2
13	IMQS	Integrated	01 July 2015	36 Months	01 July 2015	30 June 2018	The Municipality	On the	An	2

NO	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
		infrastructure asset management module					decided to utilize on Integrated Municipal Financial Accounting System – which is Munsoft, which then made this contract to suffer	inception of this contract, the Municipality had challenges with the verification scanners/ tools of this service provider	infrared scanners was purchased to can be used in future,	
14	Focus outsourcing solutions cc	Printing of consumer accounts	24 January 2014	Long-Term	24 January 2014	When services are terminated	This is an on-going contract, which is being reviewed on a year to year	None	None	4
15	First National Bank	Provision of a Commercial Banking Services for a period of Five (05) Years	22 February 2017	60 Months	22 February 2017	21 February 2022	FNB is providing services to the Municipality. Other products offered are explored within the contract.	None	None	5

## TECHNICAL SERVICES DEPARTMENT

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
1.	Thoko consulting Mr. Philip Thokwane = 013 656 9017 / 082 780 8658	Emthonjeni Extension 4 And Enkanini Township: Provision Of Waterborne Sanitation For 800 Stands Phase 3	03-October-16	7 Months	04-October-16	04-April-17	100% complete	None	None	4
2.	Thoko consulting Mr. Philip Thokwane = 013 656 9017 / 082 780 8658	Emthonjeni Extension 4 And Enkanini Township: Provision Of Water Reticulation For 800 Stands Phase 3	03-October-16	7 Months	04-October-16	04-April-17	100% complete	None	None	4
3.	Phekiso consulting engineers Mr. S. Mhandu = 073 757 1320	Water Supply In Rural Areas Phase 8	03-October-16	6 Months	04-October-16	22-March-2017	100% Complete	None	None	3
4.	ZMC projects Mr. K. Chelemu = 082 457 3183	Madala Township: Provision Of Water Reticulation Services For 500	03-October-16	9 Months	04-October-16	30-June-17	100% Complete	None	None	3

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
		Stands Phase 3								
5.	Phekiso consulting engineers Mr. S. Mhandu = 073 757 1320	Provision Of Waterborne Sanitation In Sakhelwe Extension 02 Phase 2	03-October-16	9 Months	04-October-16	30-June-17	100% Complete	None.	None.	3
6.	Wanoza consulting engineers	Paving Of Roads Around Emakhazeni Local Municipality Townships Phase 2: (Road 1 Emgwenya Phase 2)	24-Jun-16	3 Months	24-June-2016	19-Sept-16	100 Complete	None.	None	4
7.	Sejagobe engineers Mr. Dan Masekela = 083 562 7429	Madala Township: Provision Of Waterborne Sanitation For 500 Stands Phase 2	03-October-16	7 Months	04-October-16	10-April-17	Construction at 74%	Service provider failed to conclude project.	Letter of intention to terminate.	1
8.	NKP Consulting engineers Mr. Keagan Smith = 082 906 5967	Upgrading Of Water Infrastructure For Emgwenya Township Phase 1	07-Dec-16	7 Months	07-Dec-16	30-June-17	Construction at 100% complete	None	None	4



No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
9.	Afri Infra Group (Pty) Ltd. Mr. Hennie Grobler = 082 573 0171	New Sewerage Pump Station For Mandela Village At Siyathuthuka	20-Nov-16	5 Months	22-Nov-16	21-May-17	Original Scope 100% complete, Extended Scope 80% complete	None	None	4
10.	Blendtech (pty) ltd	Supply And Delivery Of Water And Sewer Treatment Chemicals For A Period Of Twenty Four (24) Months	21 October 2015	24 Months	21 October 2015	21 January 2016	Service provider was terminated	Poor service and dispute	Contract terminated	1
11.	Izew Engineering Investments and Angela Symons Trading Investment JV	Electrical Contractors To Be On Standby For Installation, Maintenance Work And Repairs As And When Required For 36 Months	27 May 2016	36 Months	27 May 2016	current	In progress	None	None	3
12.	Tshabalala Multi-Service Workshop	Appointment As A Service Provider For The Electrification Of	24 June 2016	03 Months	24 June 2016	23 September 2016	Project Complete	None	None	4

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
		421 Households To Extension 6 & 8 At Siyathuthuka (Belfast) – Package 1								
13.	Volt Consulting Engineers	Appointment As A Service Provider For The Electrification Of 245 Households To Extension 7 At Siyathuthuka (Belfast) – Package 2	29 June 2016	06 Months	24 January 2017	30 June 2017	Project Incomplete	Houses for connections not built yet	Human Settlement was engaged for the completion of the houses	3
14.	Pro Eng Consulting Engineers	Appointment As A Service Provider For The Pre-Feasibility Studies Including An Environment Impact Assessment For The Construction Of A New 132/11kv Electricity Substation	29 June 2016	11 Months	29 June 2016	24 June 2017	Project Complete	None	None	5
15.	Chem-tec Chemicals Services Cc	Supply And Delivery Of Water And Sewer Treatment Chemicals For A	31 March 2017	12 Months	31 March 2017	Current	In progress	None	None	5

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
		Period Of Twelve (12) Months								
16.	Tshabalala Multi-Service Workshop	Extension Of Scope – Replacement Of 935 Conventional Meters With Prepaid (Conlog Splt Smart Meters) And The Installation Of Bulk Infrastructure And Connections For The Electrification Of 20 Households	04 Jan 2017	02 Months	04 Jan 2017	03 March 2017	Project complete	Access denied by government departments and some residents	Continue to engage clients	3
17.	Omphile Electrical Construction	Electrical Contractors To Be On Standby For Installation, Maintenance Work And Repairs As And When Required For 36 Months	27 May 2016	36 Months	27 May 2016	current	In progress	None	None	3

## CORPORATE SERVICES

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
1.	Seartec	Supply & Maintenance Of Photocopy Machines	1 September 2014	3 Years	01 September 2014	30 August 2017	All machines are maintained , however, need to be repaired on a regular basis	The machines are not coping with the volume of copies made.	Supply Chain processes to procure a new service provider have started.	3
2.	Nomaswazi Shabangu Attorneys	Legal Representation	19 February 2014	N/A	19 FEBRUARY 2014	ONGOING UNTIL RE-ADVERTISED	All litigations/ legal cases were attended and reports were submitted	Unforeseen litigations and increase in legal costs (Insufficient Budget allocation) as well as a high increase in legal fees.	Adjusted the budget and the Legal Section of the Municipality will ensure that all bills of attorneys are taxed by the Tax Master.	4
3.	Nyalungu Mbungela Attorneys	Legal Representation	27 August 2014	N/A	27 AUGUST 2014	ONGOING UNTIL RE-ADVERTISED	All litigations/ legal cases were attended and reports	Unforeseen litigations and increase in legal costs	Budget adjusted during adjustment budget	4

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
							were submitted			
4.	Ntuli Noble Attorneys	Legal Representation	2008	N/A	2008	ONGOING UNTIL RE-ADVERTISED	All litigations/legal cases were attended ,a concern that the municipality lost most of the cases referred to them.	Lack of proper consultation.	Supply Chain processes to procure a panel of attorneys have started.	2
5.	Telkom	Supply & Maintenance Of Telephone System And Data Line	2000	Ongoing	2000	ONGOING	Telephones and Data Line is in good working condition and maintained as per the Service Level Agreement	Budget insufficient	Budget adjusted during adjustment budget	4

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
6.	Obsidian	Supply & Maintenance Of Emails & Internet	29 September 2016	3 Years	01 OCTOBER 2016	28 SEPTEMBER 2019	Emails & Internet is maintained as per the Service Level Agreement	None	Not Applicable.	4
7.	Kgolo Institute	Rendering Of Services Of A Learning Programme In Municipal Finance Management	15 July 2015	2 Years	15 JULY 2015	14 JULY 2017	The training programme was conducted as per the agreement, however, the service provider is claiming that there are outstanding payments.	The service provider provided training of 28 unit standards to officials who only qualified for 21 as per the minimum competency regulations.	Reconciliation of the invoices of Kgolo Institute and the payments made by the municipality as per the Service Level Agreement signed by both parties.	4
8.	Kgopadiro Trading And Projects (Pty) Ltd	Supply, Delivery and Offloading of Personal Protective	12 May 2016	2 Years	12 MAY 2016	11 MAY 2018	The Service Level Agreement	The Service Provider failed to render services as per the Service	The services of the Service Provider were terminated	2

No	Service Provider	Project Name	Appointment Date	Contract Period	Start Date	End Date	Progress By June 2017	Reasons For Variations	Corrective Actions	Score (1-5)
		Clothing As And When Required					was cancelled by mutual agreement	Level Agreement	and the SLA was cancelled.	
9.	Kosher Investments Cc	Supply, Delivery And Off-Loading of Personal Protective Clothing for the Period Of 24 Months as and when required	17 May 2017	24 Months	17 May 2017	18 May 2019	Service Provider delivered as expected	None	None	4

## APPENDIX J –DISCLOSURE OF FINANCIAL INTEREST

N o	Surname	Name	Position	Description of Financial Interest
1.	Ngwenya	Thomas Diphepheng	Executive Mayor	Shares Ubuntu Botho Investment Pty Shares Welkom Yizani Investment Shares Phuthuma Nathi Investment Shares Mawubuye Cooperative Ltd Owner Stand 960 12x12m <sup>2</sup>
2.	Mashele	Nomhle Adelaide	Speaker	Owner: Property: 3 Bedroom House Emthonjeni
3.	Kambula	Maria	MMC: LED/Planning, Technical & Community	Nil
4.	Scheffers	Thandiwe	MMC: Corporate Services	Valuation Board Member, MEC COGTA Owner:
5.	Mthimuny e	Sbusiso Seun	MMC: Finance & Economics Affairs	Nil
6.	Masina	Xolile Duncan	Chairperson MPAC	
7.	Masha	Themba Nelson	Chairperson: LED/Planning, Technical & Community Section 79	JV With Sobotshwane Logistic Owner Chicken Dust Outlet, Nyameni Trading ,Part Time Facilitator: Nkomati Mine:
8.	Ndlovu	Rose	Councillor	Nil
9.	Ntuli	Michael Petros	Chairperson: Finance & Economics Affairs Section 79	Nil
10	Ngomane	Thamsanqa Charlie	Interim Chairperson: Corporate Services Section 79	Nil
11 .	Botha	Amanda	Councillor	Patent Prospect SA, Patent MPG Sanlam, Pensioner, Aida : Realtor 7 Brugstreet Property , 4 Brugstreet Property
12 .	Scheffers	Desmond Mathewis	Councillor	Nil
13 .	Tshabalal a	Samuel	Councillor	Co-Owner Shalom Nesako Pre-School Financial Assistance National Lottery Commission for the creche
14 .	Skhosana	Sizane Isaac	Councillor	Nil
15 .	Tshabalal a	Elizabeth K	Municipal Manager	Evening Star Trading 785 Pty, Sasol Inzalo Shares, Husband own Tshabalala Psychological Services
16 .	Abdullah	Ishmael Masauko	Manager Corporate Services	Alipo Investments, Erf 1104 Waterval Boven , Erf 1102 Waterval Boven, Stand 1161 Ext 3 Belfast, ERF Mbombela, ERF Badplass, Renting Flat Entokozweni



17 .	Sindane	Lucas Oupa	Manager Technical Services	Owner: House No 44 Buffalo Street Belfast
18 .	Mkhonza	Lomemeza Daniel	Manager Planning and Development	Nil
19 .	Ngwenya	Nomgqibelo	Chief Financial Officer	Nil
20 .	Mahlangu	Themba Kenneth	Deputy Manager Supply Chain	Member Hlangweni Transport
21 .	Mashilo	Mishack	Snr Acc Supply Chain	Medutsi Trading Shares In Yazami Welkom Shares In Mtn Zakhele Futhi House Stand No 37 Emthonjeni 300m² House Stand No 36 A Machadodorp
22	Mahlangu	Sipho	Snr Clerk Acquisition	Spouse Director Of Asikhulumisane Trading Renting Tents, Toilets Chairs And Tables

**APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE**

Revenue Collection Performance by Vote				
Vote Description	2013/14	2014/15		
	Actual	Original Budget	Adjusted Budget	Actual
Vote 1 - EXECUTIVE & COUNCIL	119,574,087	62,330,921	62,330,921	103,482,993
Vote 2 - FINANCE & ADMIN	1,073,891	63,009,363	63,051,802	18,325,263
Vote 3 - PLANNING & DEVELOPMENT	1,167,117	1,601,372	1,601,372	1,342,904
Vote 4 - HEALTH	0	0	0	0
Vote 5 - COMMUNITY & SOCIAL SERVICES	88,398	67,734	86,989	76,273
Vote 6 - PUBLIC SAFETY	2,892,093	5,000	0	0
Vote 7 - SPORT & RECREATION	112,032	95,871	47,082	34,863
Vote 8 - WASTE MANAGEMENT	7,806,964	8,487,064	8,487,064	8,662,392
Vote 9 - WASTE WATER MANAGEMENT	7,721,037	8,303,637	8,289,187	8,150,360
Vote 10 - ROAD TRANSPORT	12,003,504	7,817,701	7,262,884	12,056,596
Vote 11 - WATER	14,005,409	12,380,182	11,884,644	12,442,680
Vote 12 - ELECTRICITY	35,865,186	44,899,533	39,638,871	33,487,606
Vote 13 - OTHER	0	0	0	0
<b>Total Revenue by Vote</b>	<b>202,309,719</b>	<b>208,998,378</b>	<b>202,680,816</b>	<b>198,061,930</b>

**APPENDIX K (II): REVENUE COLLECTION PERFORMANCE BY SOURCE**

REVENUE COLLECTION PERFORMANCE BY SOURCE						
Description	2013/14	2014/15				
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustment s Budget
Property rates	54,239,347	62,157,058	62,157,058	16,928,256	-267%	-267%
Property rates - penalties & collection charges	0	0	0	0		
Service Charges - electricity revenue	35,437,603	44,342,104	39,342,104	33,173,395	-34%	-19%
Service Charges - water revenue	11,899,474	12,352,441	11,452,441	13,305,108	7%	14%
Service Charges - sanitation revenue	7,702,383	8,273,187	8,273,187	8,136,024	-2%	-2%
Service Charges - refuse revenue	7,806,109	8,487,064	8,487,064	8,662,392	2%	2%
Service Charges - other	0	0	0	0		
Rentals of facilities and equipment	435,340	443,861	418,461	805,948	45%	48%
Interest earned - external investments	218,287	216,240	264,000	380,058	43%	31%
Interest earned - outstanding debtors	0	0	0	0		
Dividends received	0		0	0		
Fines	9,206,921	5,401,225	5,250,200	8,873,781	39%	41%
Licences and permits	23,172	32,535	6,600	6,096	-434%	-8%
Agency services	2,794,433	2,384,080	2,010,284	3,171,904	25%	37%
Transfers recognised - operational	41,975,000	46,402,333	46,402,333	44,855,063	-3%	-3%
Other revenue	14,978,913	1,070,250	771,084	10,995,001	90%	93%
Gains on disposal of PPE	8,167	204,000	204,000	0		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>186,725</b>	<b>191,766</b>	<b>185,039</b>	<b>149,293</b>	<b>-28.45%</b>	<b>-23.94%</b>

## APPENDIX L: CONDITIONAL GRANTS RECEIVED – EXCLUDING MIG

The municipality received external conditional grants: Finance Management Grant, EPWP as well as INEP as per the breakdown below:

Description	2016/2017				
	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b><u>Operating Transfers and Grants</u></b>					
Finance Management grant	1 825 000	1 825 000	1 825 000	100%	100%
EPWP	1 217 000	1 217 000	1 217 000	0%	0%
INEP	8 000 000	8 000 000	8 000 000		
<b>Total Operating Transfers and Grants</b>	<b>R11 042 000</b>	<b>R11 042 000</b>	<b>R11 042 000</b>	<b>100%</b>	<b>100%</b>

### Conditions of the Grants

Finance Management Grant – The grant was allocated for the effective implementation of the Municipal Finance Management Act.

EPWP – Allocated for the creation of temporary employment and skilling of the participants.

INEP – Aimed at eradicating the backlog of access to electricity.

## APPENDIX M – CAPITAL EXPENDITURE

Capital Programme by Project: Financial Year 2016/17

Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Water</b>					
Emthonjeni Extension 04 and Enkanini Township: Provision of water for 800 stands phase 1 (114 stands)	R1 874 528.43	R 0. 00	R1 874 528.43	0	0
Madala township: Provision of water for 500 stands phase 1 (150 stands)	R 5 984 293.23	R 0. 00	R 5 984 293.23	0	0
Water supply in rural areas phase 07	R3 026 400.00	R 0. 00	R3 026 400.00	0	0
Installation of water and sewer reticulation in Siyathuthuka Extension 07	R 10,363, 193. 88	R 589 910 – 10	R 10,953, 103. 95	0	0
Upgrading of the Water Treatment Works and license application phase 2	R 5 000 000 – 00	R 0. 00	R 5 000 000 – 00	0	0
<b>Sanitation/Sewerage</b>					
Emthonjeni Extension 04 and Enkanini Township: Provision of waterborne for 800 stands phase 1 (114 stands)	R2 967 200.00	R 0. 00	R2 967 200.00	0	0
Madala township: Provision of waterborne sanitation for 500 stands phase 1 (150 stands)	R 0	R 0. 00	R 0	0	0
<b>Roads and Storm water</b>					
Paving of roads around Emakhazeni Local Municipality phase 2 (1,1KM road in Siyathuthuka)	R 3, 959, 174. 40	R 0. 00	R 3, 959, 174. 40	0	0
Paving of roads around Emakhazeni Local Municipality phase 2 (Road 1 in Emgwenya)	R 4, 000, 000. 00	R 0.00	R 4, 000, 000. 00	0	0
Rehabilitation of Bhekumuzi Masango Drive Phase 04	R 2, 136, 554. 98	R 0. 00	R 2, 136, 554. 98	0	0
Paving of 3 roads section in Emgwenya	R 2, 707, 718. 31	R 0. 00	R 2, 820, 957. 30	0	104.182

## APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

Municipal Vote/Capital project	2016/17 Medium Term Revenue & Expenditure Framework
	Budget Year 2016/17
Rural Areas: Water supply in rural areas Phase 8 multi year	3 292
Provision of water borne sanitation in Sakhelwe Extension 02 phase 2 (389 stands)	2 967
Madala Township: Provision of Waterborne Sanitation for 500 stands phase 2	3 000
Madala Township: Provision of Water for 500 stands phase 3	3 930
Upgrading of water infrastructure for Emgwenya Township	2 936
Rehabilitation of waste site phase 1 in Belfast multi year	2 904
Emthonjeni Ext. 4 & Enkanini 800: Provision of Waterborne sanitation	3 000
Emthonjeni Ext. 4 & Enkanini 800: Provision of Waterborne sanitation	2 104
Refurbishment of Waterval Boven waste water treatment plant	5 526
Refurbishment of Belfast waste water treatment plant	7 474
Electricity	8 000
Internal capital	1 105
Internal capital	150
	<b>46 389</b>

## APPENDIX N: CAPITAL PROGRAMME BY PROJECT BY WARD CURRENT YEAR

Municipal Vote/Capital project	2016/17 Medium Term Revenue & Expenditure Framework	Project information
	Budget Year 2016/17	Ward location
Rural Areas: Water supply in rural areas Phase 8 multi year	3 292	1
Provision of water borne sanitation in Sakhelwe Extension 02 phase 2 (389 stands)	2 967	4
Madala Township: Provision of Waterborne Sanitation for 500 stands phase 2	3 000	8
Madala Township: Provision of Water for 500 stands phase 3	3 930	8
Upgrading of water infrastructure for Emgwenya Township	2 936	5
Rehabilitation of waste site phase 1 in Belfast multi year	2 904	6
Emthonjeni Ext. 4 & Enkanini 800: Provision of Waterborne sanitation	3 000	5 & 6
Emthonjeni Ext. 4 & Enkanini 800: Provision of Waterborne sanitation	2 104	5 & 6
Refurbishment of Waterval Boven waste water treatment plant	5 526	7
Refurbishment of Belfast waste water treatment plant	7 474	1
Electricity	8 000	1 & 3
Internal capital	1 105	All wards
Internal capital	150	All wards
	<b>46 389</b>	

## APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
<b>Schools (NAMES, LOCATIONS)</b>				
Khayalami Secondary School (Siyathuthuka)	✓	✓	✓	✓
Belfast Academy (Emakhazeni)	✓	✓	✓	✓
Siyifunile Secondary School(Dullstroom)	✓	✓	✓	✓
Imemeza Secondary School (Emgwenya)	✓	✓	✓	✓
Sikhulile Secondary School (Entokozweni)	✓	✓	✓	✓
Mórelig Secondary School(Wondefontein)	x	x	x	X
Poolzee* Secondary School(Stofberg) relocated to the new boarding school	x	x	x	X
Tonteldoos* Secondary School(Tonteldoos)	x	x	x	X
Klipspruit* Secondary School(Badfontein)	x	x	x	X
Ukhwezi Primary School – Siyathuthuka	✓	✓	✓	✓
Belfast H.P – Siyathuthuka	✓	✓	✓	✓
Mpilonhle Primary School– Sakhelwe	✓	✓	✓	✓
Ebhudlweni Primary School – Emgwenya	✓	✓	✓	✓
Dumezizweni Primary School– Emthonjeni	✓	✓	✓	✓
Laerskool Machado Primary School - Entokozweni	✓	✓	✓	✓
Laerskool Oosterlijn - Emgwenya	✓	✓	✓	✓
Platorand – School for Learners with Special needs - Emakhazeni	✓	✓	✓	✓
Chuzon – Private School - Entokozweni	✓	✓	✓	✓
Emakhazeni Private School - Emakhazeni	✓	✓	✓	✓
Bitchcroft Private School - Dullstroom	✓	✓	✓	✓
Dullstroom Private School - Dullstroom	✓	✓	✓	✓
FET – Nkangala Campus - Emgwenya	✓	✓	✓	✓
Emakhazeni Boarding School - Entokozweni	✓	✓	✓	✓
<b>Clinics (NAMES, LOCATIONS)</b>				
Belfast Gate Clinic	✓	✓	✓	✓
Siyathuhuka Clinic	✓	✓	✓	✓
Sakhelwe Clinic	✓	✓	✓	✓
Wonderfontein Clinic	X	X	X	X
Emthonjeni Clinic	✓	✓	✓	✓
Machadodorp Clinic	✓	✓	✓	✓
Boven Gate Clinic	✓	✓	✓	✓

**APPENDIX Q: SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION**

<b>Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)</b>		
<b>Services and Locations</b>	<b>Scale of backlogs</b>	<b>Impact of backlogs</b>
<b>Clinics:</b>	Ward 1,2,4,5,6 and 8 requested clinics	people travel long distances to access health care
<b>Housing:</b>	Ward 1,2,3,4,5,6,7 and 8 requested RDP's	Increasing waiting list and demand for land
<b>Licensing and Testing Centre:</b>	Service provided by the municipality	Some roads exceeded their life span
<b>Reservoirs</b>	Service provided by the municipality	N/A
<b>Schools (Primary and High):</b>	Request for primary and High School in Ward 1, 2,3,5, 6,and 8	



**APPENDIX R: DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY**

**THERE WERE NO LOANS AND OR GRANTS ISSUED BY THE MUNICIPALITY TO ANY ORGANISATION OR PERSON**

**APPENDIX S: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71**

**IT BE NOTED THAT ALL SECTION 71 REPORTS IN TERMS OF MFMA FOR EMAKHAZENI MUNICIPALITY WERE SUBMITTED TO THE RELEVANT OFFICES IN TIME. THEREFORE THERE IS NO DISCLOSURE UNDER THIS ITEM.**

**APPENDIX T: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT**

**IT BE NOTED THAT THE LICENSING FUNCTION OF THE MUNICIPALITY HAS REVERTED BACK TO THE DEPARTMENT OF COMMUNITY SAFETY.**

**EMAKHAZENI LOCAL MUNICIPALITY**



**AUDITED ANNUAL PERFORMANCE INFORMATION FOR THE 2016/2017 FINANCIAL YEAR**

**JULY 2017**

The purpose of this report is to give feedback on the annual performance of Emakhazeni Local Municipality as required by Section 46 of the Local Government Municipal System Act, Act no 32 of 2000. The report is compiled based on the Revised Service Delivery and Budget Implementation Plan (SDBIP) approved for 2016/17 financial year. The report includes the progress on the following Key Performance Areas stipulated in the Local Government: Municipal Performance Regulations for the Municipal Manager and Managers accountable to Municipal Manager; 2006:

- Basic Service Delivery
- Local Economic Development
- Financial viability
- Good Governance and Public Participation
- Municipal Institutional Development and Transformation
- Spatial rational

Chapter 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), requires local government to:

- Develop a performance management system;
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP);
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government;
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government;
- Conduct an internal audit on performance before tabling the report;
- Have the annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and reviewing municipal performance.

## **2. SUMMARY PER KEY PERFORMANCE AREA**

KPA	TOTAL TARGETS	ACHIEVED	NOT ACHIEVED	% PROGRESS
Service Delivery and Infrastructure Development	33	25	8	76%
Local Economic Development	7	5	2	71%
Financial Viability	25	13	12	52%
Good Governance and Public Participation	37	30	7	82%
Institutional Development and Transformation	21	17	4	81%
Spatial Rationale	4	2	2	50%
<b>Total</b>	<b>127</b>	<b>92</b>	<b>35</b>	<b>72%</b>

## **3. SUMMARY PER DEPARTMENT**

DEPARTMENT/UNIT	TOTAL TARGETS	ACHIEVED	NOT ACHIEVED	% PROGRESS
Community Services	14	11	3	79%
Corporate Services	21	17	4	81%

Finance Department	25	13	12	52%
Planning & Development	13	7	6	54%
Technical Services	17	14	3	83%
Internal Audit Unit	5	4	1	80%
Performance Management Unit	6	5	1	100%
Public Participation Unit	7	5	2	71%
Risk Management Unit	5	3	2	60%
Transversal Issues Unit	8	8	0	100%
Youth Management Unit	6	5	1	83%
<b>Total</b>	<b>127</b>	<b>92</b>	<b>35</b>	<b>72%</b>

# VOLUME II

## KEY PERFORMANCE AREA 1: SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	Number of monthly WWTP effluent quality reports submitted by 30 June 2017	To reach blue and green drop certification in at least two of the systems	All 4 water plants were monitored	11 WWTP effluent quality reports were submitted by 30 June 2016	12 WWTP effluent quality reports to be submitted by 30 June 2017	12 WWTP effluent quality reports were submitted by 30 June 2017 <b>Achieved</b>	R691 500	691 500	None	None	Monitoring reports
Priority Area 2: Electricity Supply	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	Number of households provided with electrical services to eradicate backlogs by 30 June 2017	New Project	New Project	12 472 HH were provided with electrical services by 30 June 2016	421 households provided with electrical services to eradicate backlogs by 30 June 2017	420 households were provided with electrical services to eradicate backlogs by 30 June 2017 <b>Not Achieved</b>	R1 599 800	R1,818,094.78	1 was not completed due to wetland	Pre-feasibility studies be conducted before project implementation	completion certificate
Priority Area 8: Roads and Storm Water	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% spend of new MIG funded Capital projects in terms of budget by 30 June 2017	100%	100%	100%	100% of new MIG funded Capital projects in terms of budget by 30 June	100% was spent for new MIG funded Capital projects in terms of budget by 30 June	R25 404 000	R25 404 000	None	None	Monthly reports

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
							2017	2017					
Priority Area 6: Emergency Services	To co-ordinate and facilitate public safety.	Educate the community about public safety by conducting fire inspections in compliance to OHS Act/Fire regulations.	Number of fire inspections conducted by 30 June 2017	162 fire inspection to be conducted by 30 June 2016.	252 fire inspections done as at 30 June 2016	252 fire inspections	255 fire inspections conducted by 30 June 2017	313 fire inspections were conducted by 30 June 2017  <b>Achieved</b>	Vote No: 060 20010	-	None	None	Inspections sheets
Priority Area 4: Environmental and Waste Management	To provide better life for all through improved access to basic services.	Providing refuse removal services to the communities and business sector as per schedule	% access to refuse removal as per schedule by 30 June 2017	100% of access to refuse removal as per schedule by 30 June 2016	77% access to refuse removal	68.1 % access to refuse removal	91.9% per schedule households and businesses receiving the collection services by 30 June 2017  <b>Not Achieved</b>	90 % per schedule households and businesses received the collection services by 30 June 2017	Vote number: 020 260040: R 8, 806, 635.00	R8 650 399.83	None	None	Weekly reports
Priority Area 4: Environmental and Waste Management	To provide better life for all through improved access to basic services	Rehabilitate illegal dumping sites in all units	Number of illegal dumping sites rehabilitated by 30 June 2017	16 illegal dumping areas be rehabilitated by 30 June 2016	7 Illegal sites were rehabilitated in 2013/14	6 Illegal sites were rehabilitated	16 illegal dumping sites rehabilitated by 30 June 2017	14 dumping sites were rehabilitated as at 30 June 2017  <b>Not Achieved</b>	Vote Number 020 200010	-	Non availability of equipment's is a contributing factor.	Procurement of new vehicles	Quarterly reports
Priority Area 4: Environment	To provide better life for all through	Monitoring of the maintenance	Number of assessments conducted by	New Target	New Target	Vote number 020 235057 R1,081	4 assessments	3 assessments were	Vote number 020	R1375 423.69	None	None	Quarterly Assessment reports

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
al and Waste Management	improved access to basic services	on landfill sites	the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year			200.00	conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year	conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year <b>Not Achieved</b>	235057 R1,081 200.00				
Priority Area 4: Environmental and Waste Management	To provide better life for all through improved access to basic services	Development of water monitoring programs to analyse the quality of waste water and drinking water standards	Number of sample analysis reports submitted to Council by the 30 June 2017	10 Water sample and testing analysis reports submitted to Council by 30 June 2016	11 Water sample and testing analysis reports submitted to Council	11 Water sample and testing analysis reports submitted to Council	11 sample analysis reports submitted to Council 30 June 2017	12 sample analysis reports were submitted to council by 30 June 2017 <b>Achieved</b>	Vote number: 045 260042 :R500 000	R59 504.00	None	None	12 Council resolutions on the reports
Priority Area 6: Emergency Services	To co-ordinate and facilitate public safety	To service fire extinguishers within the municipal buildings as per fire requirements	Number of fire extinguishers that are compliant with the service date April 2017	146 fire extinguishers serviced by 28 February 2015	83 fire extinguishers compliance with the service date March 2016	83 fire extinguishers serviced and 17 replaced.	100 fire extinguishers that are compliant with the service date April 2017	108 fire extinguishers were complaint with the serviced date April 2017 <b>Achieved</b>	Vote number 006 235038: R56 100.00	R29 804.72	None	None	Proof of service of 100 fire extinguishers
Priority Area 7: Traffic, Safety, Licensing and Security	To co-ordinate and facilitate public safety	Ensuring that road traffic regulations are adhered to by	Number of road blocks conducted by 30 June 2017	1 Arrive Alive campaign to be conducted by the 30 April 2015.	12 road blocks conducted by 30 June	12 roadblock were conducted	12 road blocks conducted by 30 June	14 road blocks were conducted by 30 June	Vote number: 030 40010: R106	R7 650.00 R16759	None	None	Reports on the road block conducted

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
		increasing visibility of Traffic Officers through Arrive Alive campaigns and road blocks		4 Internal road blocks to be conducted by 30 June 2015	2016		2017	2017 <b>Achieved</b>	000.00	118.87  R1670 377.54			
Priority Area 7: Traffic, Safety, Licensing and Security	To co-ordinate and facilitate public safety	Monitoring of the security service provider to ensure effective service delivery	Number of assessments conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year	-	-	4 Quarterly assessments on monitoring of security service provider conducted in 2015/16	4 assessments conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year	4 assessments were conducted by the 10 <sup>th</sup> of every month after the quarter ends of 2016/17 financial year <b>Achieved</b>	Vote number 020 235057 R 4 923 060.00	R3693 067.00	None	None	4 quarterly assessment reports
Priority Area 18: Culture sports and recreation	To encourage a community cantered approach to governance and development	Organizing sport and recreational activities	Number of sporting activities held by 30 June 2017	4 sport activates to be held by 30 June 2015	5 sport activates to be held by 30 June 2016	7 Sporting activities were held as at 2015/16	7 sporting activities held by 30 June 2017	9 sporting activities were held by 30 June 2017 <b>Achieved</b>	Vote numbers : 007 260012: R21 600.00 Vote 007 260022: R15 300.00	R13 100.00 R0	None	None	Reports on the sporting events held
Priority Area 18: Culture sports and recreation	To encourage a community cantered	Educate communities on cultural heritage	Number of cultural events held by 31 March	2 cultural events to be held by 31 March 2015	06 cultural events held by	06 cultural events held	6 cultural events held by 31 March	06 cultural events were held by 31	Vote number: 007 260012:	R13 100.00	None	None	Reports on cultural event held



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	approach to governance and development	through the hosting of cultural events	2017		the 30 June 2017		2017	March 2017 <b>Achieved</b>	R20 000.00				
Priority Area 6: Emergency Services	To co-ordinate and facilitate public safety	Conduct fire breaks throughout the municipality to mitigate and prevent fire risks	Number of Km of fire breaks conducted by 30 June 2017	80 Km of fire breaks to be conducted by 30 June 2016	48,1 Km of fire breaks conducted	48,1 Km of fire breaks conducted	80 Km of fire breaks to be conducted by 30 June 2017	44 Km of fire breaks were conducted by 30 June 2017 <b>Not Achieved</b>	Vote number: 006 260025: R21 012.00 and vote 006 260040: R11 220.00	R0 R0	Due to poor weather conditions fewer fire-breaks were conducted.	Ensure adequate resources and weather conditions are conducive for burning	Report indicating the km of fire breaks conducted
Priority Area 7: Traffic, Safety, Licensing and Security	To co-ordinate and facilitate public safety	Ensuring that road traffic regulations are adhered to by increasing visibility of Traffic Officers through Arrive Alive campaigns and road blocks.	Number of road safety awareness programmes conducted by 30 June 2017	-	-	New target	4 road safety programmes conducted by 30 June 2017	4 road safety programmes were conducted by 30 June 2017 <b>Achieved</b>	Vote Number: 030 200010	R0	None	None	Reports on the road safety awareness programmes conducted with photographs
Priority Area 6: Emergency Services	To co-ordinate and facilitate public safety	Educate the community about public safety by conducting fire awareness campaigns	Number of fire awareness campaigns conducted by 30 June 2017	4 fire awareness initiatives by 30 June 2016	14 fire awareness was and initiatives were conducted by 30	15 fire awareness campaigns	16 fire awareness campaigns conducted by 30 June	31 fire awareness campaigns were conducted by 30 June 2017	Vote number: 030 200010	-	None	None	Attendance Registers and Photos

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
		particularly at schools and old age homes.			June 2016		2017	<b>Achieved</b>					
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Waterborne Sanitation For 800 Stands Phase 2 by 30 June 2017	Servicing of 62 stands in Emthonjeni Ext 4 and Enkanini by 30 June 2016	1680m Pipes laid and partially backfilled, all materials delivered to site, awaiting testing, progress 95% to connect the 220 stands.	The targeted communities are currently without RDP level sanitation	100% implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Waterborne Sanitation For 800 Stands Phase 2 by 30 June 2017	100% implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Waterborne Sanitation For 800 Stands Phase 2 was attained by 30 June 2017 <b>Achieved</b>	R3,000,000.00	R3,000,000.00	None	None	Completion Certificate
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of the Provision of Waterborne Sanitation For Sakhelwe Extension 2	To have Sakhelwe extension 2 46 stands fully serviced with waterborne sanitation	57 stands were provided with waterborne sanitation	46 stands provided with waterborne sanitation by 30 June 2016	100% implementation of the Provision of Waterborne Sanitation	100% implementation of the Provision of Waterborne Sanitation For Sakhelwe Extension 2	R2,967,200.00	R2,967,200.00	None	None	Completion certificate

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			by 30 June 2017				n For Sakhelwe Extension 2 by 30 June 2017	was attained by 30 June 2017 <b>Achieved</b>					
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Water Reticulation For 800 Stands by 30 June 2017	Project not funded	Project not funded	62 households were serviced by 30 June 2016	100% implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Water Reticulation For 800 Stands by 30 June 2017	100% implementation of Emthonjeni Extension 4 And Enkanini Township: Provision Of Water Reticulation For 800 Stands by 30 June 2017 <b>Achieved</b>	R2 104 000	R2 104 000	None	None	Completion Certificate
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of Madala Township: Provision Of Water Reticulation For 500 Phase 2 by 30 June 2017	Project not funded	Project not funded	150 stands were reticulated in 2014/15 and Bulk infrastructure was installed in 2015/16 fy	100% implementation of Madala Township: Provision Of Water Reticulation For 500 Phase 2	100% implementation of Madala Township: Provision Of Water Reticulation For 500 Phase 2 was attained by	R3 929 800	R3 929 800	None	None	Completion certificate

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
							by 30 June 2017	30 June 2017 <b>Achieved</b>					
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of Madala Township: Provision Of Waterborne Sanitation for 500 Stands Phase 2 by 30 June 2017	To construct elevated tank and rising mains to Madala to supply the 150 stands	Pipe laying and partial backfilling done for 3800m , pump house and associated works completed, awaiting testing	150 stands provided with waterborne sanitation by 30 June 2016	100% implementation of Madala Township: Provision Of Waterborne Sanitation for 500 Stands Phase 2 by 30 June 2017	100% implementation of Madala Township: Provision Of Waterborne Sanitation for 500 Stands Phase 2 was attained by 30 June 2017 <b>Achieved</b>	R3,000,000	R3,295,894.67	None	None	Completion Certificate
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing	% Progress on the implementation of Water Supply In Rural Areas Phase 7 by 30 June 2017	4 windmills completed by 30 June 2016	Geotechnical investigations, Technical and Cadastral Survey completed on extended scope (2 boreholes ). 2 boreholes of	4 windmills installed in 2015/2016 financial year	100% implementation of Water Supply In Rural Areas Phase 7 by 30 June 2017	100% implementation of Water Supply In Rural Areas Phase 7 was attained by 30 June 2017 <b>Achieved</b>	R3,500,000	3,165,661.79	None	None	Completion certificate

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
					additional scope completed .The project is 95% complete								
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress on the implementation of Upgrading Of Water Infrastructure For Emgwenya Township Phase 1 by 30 June 2017	New project	New Project	New project	100% implementation of Upgrading Of Water Infrastructure For Emgwenya Township Phase 1 by 30 June 2017	100% implementation of Upgrading Of Water Infrastructure For Emgwenya Township Phase 1 was attained by 30 June 2017 <b>Achieved</b>	R2 728 800	3,299,351.30	None	None	Completion certificate
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress towards the implementation of the Upgrade and Relocation of the Mandela Pump Station Phase 1 by 30 June 2017	New master planning study	New master planning study	New project	100% implementation of the Upgrade and Relocation of the Mandela Pump Station Phase 1 by 30 June 2017	100% implementation of the Upgrade and Relocation of the Mandela Pump Station Phase 1 was attained by 30 June 2017	R 4 033 225 - 63	R4,994,842.50	None	None	Completion certificate

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
								<b>Achieved</b>					
Priority Area 2: Electricity Supply	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	Number of households electrified at Siyathuthuka Extension 7 by 30 June 2017	New Project	New Project	New Project	245 households electrified at Siyathuthuka Extension 7 by 30 June 2017	0 households were electrified at Siyathuthuka Extension 7 by 30 June 2017  <b>Not Achieved</b>	R2 817 500	3,568,200.00	Only the bulk infrastructure was installed. Electrification of Houses could not be done as the houses were still under construction	Engage Human Settlement for the completion of the houses	Completion certificate
Priority Area 2: Electricity Supply	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress towards the Installation of new 132/11 KVA 20MVA substation for Belfast town and Siyathuthuka township (Pre-engineering) by 30 June 2017	New Project	New Project	New target	100% Installation of new 132/11 KVA 20MVA substation for Belfast town and Siyathuthuka township (Pre-engineering) by 30 June 2017	100% of (Pre-engineering) Installation of new 132/11 KVA 20MVA substation for Belfast town and Siyathuthuka township was attained by 30 June 2017  <b>Achieved</b>	R2 600 243, 85	930 788.34	None	None	Design report
Priority Area	To ensure	Through	% Progress	New Project	New	New target	100%	100%	R8 548	R8 548	None	None	Completion

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
2: Electricity Supply	provision of affordable and sustainable basic services by upgrading existing and new infrastructure	maintaining, refurbishing and upgrading of existing infrastructure	towards the implementation of the Refurbishment of Belfast Waste Water Treatment works and pump stations by 30 June 2017		Project		implementation of the Refurbishment of Belfast Waste Water Treatment works and pump stations by 30 June 2017	implementation of the Refurbishment of Belfast Waste Water Treatment works and pump stations was attained by 30 June 2017 <b>Achieved</b>	609 - 20	609 - 20			certificate
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% progress towards the refurbishment Of Belfast WTW New Infrastructure project And Installation Of The Elevated Tank In Extension 2 by 30 June 2017	New Infrastructure project	New Infrastructure project	New Infrastructure project	100% Refurbishment of Belfast WTW New infrastructure project and install elevated tank by 30 June 2017	The design stage was completed by 30 June 2017 <b>Achieved</b>	2 000 000	2 000 000	None	None	Design report
Priority Area 1: Water and Sanitation	To ensure provision of affordable and sustainable basic services by upgrading	Through maintaining, refurbishing and upgrading of existing	% Progress towards the implementation of the refurbishment of Emthonjeni	New Target	New Target	New Target	100% implementation of the refurbishment of	100% implementation of the refurbishment of Emthonjeni	R4 603 000	R4 603 000	None	None	Completion certificate

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	existing and new infrastructure	infrastructure	waste water treatment works by 30 June 2017				Emthonjeni waste water treatment works by 30 June 2017	waste water treatment works was attained by 30 June 2017 <b>Achieved</b>					
Priority Area 3: Roads and Storm Water	To ensure provision of affordable and sustainable basic services by upgrading existing and new infrastructure	Through maintaining, refurbishing and upgrading of existing infrastructure	% Progress towards the implementation of the paving of Roads around Emakhazeni Local Municipality (Road 1 in Emgwenya Phase 3) by 30 June 2017	To pave 150M road in Emgwenya by 30 June 2016	540m constructed by 30 June 2016	540m constructed by 30 June 2016	100% implementation of the paving of Roads around Emakhazeni Local Municipality (Road 1 in Emgwenya Phase 3) by 30 June 2017	100% implementation of the paving of Roads around Emakhazeni Local Municipality (Road 1 in Emgwenya Phase 3) was attained by 30 June 2017 <b>Achieved</b>	R104 574, 37	R104 574, 37	None	None	Completion certificate
Priority Area 4: Environmental and Waste Management	To provide a better life for all through improved access to basic services	Acquire the appropriate equipment/vehicles to render the service	Number of refuse compactor trucks procured by 31 December 2016	New Target	New Target	New Target	1 refuse compact or trucks procured by 31 December 2016	2 refuse compactor trucks were procured on the 08 Dec 2016 <b>Achieved</b>	NDM Budget	-	-	-	Delivery Note
Priority Area 37: Land	To provide sites for various	To ensure sustainable	Number of cemeteries	To have the Emgwenya	Emgwenya area	No cemetery expansion	1 cemetery	0 cemeteries	NDM Budget	-	The identified	Another site had	Geo-technical



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Use Management	community needs	development and guided spatial planning resulting in the integration of communities	expanded in Emgwenya by 30 June 2017	cemetery expanded	identified and studies could not be done due to the matter of ownership.	was done	expanded in Emgwenya by 30 June 2017	were expanded in Emgwenya by 30 June 2017 <b>Not Achieved</b>			site was not suitable for cemetery expansion.	to be identified as a matter of urgency.	reports, Approvals, lay-out plans
Priority Area 37: Land Use Management	To provide sites for various community needs.	To ensure sustainable development and guided spatial planning resulting in the integration of communities	Number of cemeteries expanded in Dullstroom by 30 June 2017	To have the Dullstroom cemetery expanded	Geotechnical report conducted. EIA could not commence due to the negative Geotech	Geotechnical report conducted however EIA could not commence due to the negative Geotech	1 cemetery expanded in Dullstroom by 30 June 2017	0 cemeteries were expanded in Dullstroom by 30 June 2017 <b>Not Achieved</b>	NDM Budget	-	The previously identified site is not suitable for cemetery expansion.	Another site had to be identified as a matter of urgency. Current cemetery cannot be expanded due to the study conducted.	Geotechnical reports, Approvals, lay-out plans

**KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT**

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 8: Economic Growth and Development	To ensure an integrated approach to LED	To ensure that the review of the LED strategy is completed	Review of LED Strategy by 30 June 2017	2006 LED Strategy	A draft LED Strategy has been completed and adopted by council	Situational analysis	Reviewed LED Strategy by 30 June 2017	LED Strategy was reviewed in April 2017 <b>Achieved</b>	NDM Budget	R0	None	None	Council resolution on the Reviewed LED strategy
Priority Area 8: Economic Growth and Development	To ensure that all economic role players engage on matters relevant on growing the local economy	Ensuring the functionality of the LED forum	Number of LED Forums held by June 2017	4 LED Forums meetings/ workshops	2 LED Forum meetings held	1 LED Forum	4 LED Forums held by June 2017	4 LED Forums were held by 30 June 2017 <b>Achieved</b>	Budget Vote 0242000 10	R0	None	None	Invitations, Agendas, Attendance registers & Minutes
Priority Area 10: Tourism and Investment	To ensure that all economic role players engage on matters relevant on growing the local economy	To review the Investment Attraction policy	Review of Investor Attraction Policy by 31 March 2017	Review the Investor Attraction Policy	Investment attraction policy has been adopted by council	2015/16 Investor Attraction policy	Reviewed Investor Attraction Policy by 31 March 2017	Investor Attraction Policy was reviewed in April 2017 <b>Achieved</b>	Budget Vote 0242000 10	R0	None	None	Council resolution, Advert, Reviewed policy
Priority Area 8: Economic Growth and	Ensure growth of the	To Ensure the implementa	Number of Contract	20 Contractors	20 contractor(SMME's) have	27Contractors (SMME's	25 Contractors	14 Contractors were	Budget Vote 0242000	R0	Insufficient projects for sub-	Targets will be set in line	Appointment letters

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Development	SMMEs within the municipality	tion of contractor development programme through MIG, Social partners, Sector departments and NDM	ors Developed by 30 June 2017	(SMMEs) benefitted through Contractor Development Programme	benefitted through contractor development programme	) benefitted through Contractor Development programme	Developed by 30 June 2017	developed through contractor development programme by 30 June 2017  <b>Not Achieved</b>	10		contracting	with the number of projects available	
Priority Area 8: Economic Growth and Development	Ensure that SMMEs and Cooperative can easily access funding	Create an enabling environment for SMMEs to access funding	Number of SMME & Co-operatives workshops held by 30 June 2017	2 Workshops held	2 Workshops/training were held for local SMME's	SMME & Co-operative workshop by 30 December 2015	4 SMME & Co-operatives workshops held by 30 June 2017	4 SMME & Co-operatives workshops were held by 30 June 2017  <b>Achieved</b>	Budget Vote 0242000 10	R0	None	None	Invitations, attendance register & presentations
Priority Area 8: Economic Growth and Development	To ensure that all economic role players engage in matters relevant on growing the local economy	To reduce the unemployment rate within the municipality	Number of reports submitted to Council with CSI programmes of both Business and Mining organisations	New target	New target	New target	2 reports submitted to Council with respect to CSI programmes of both Business and Mining	3 reports were submitted to Council with respect to CSI programmes of both Business and Mining organisations by 30 June 2017	Budget Vote 0242000 10	R0	None	None	Council resolution

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			tions by 30 June 2017				organisations by 30 June 2017	<b>Achieved</b>					
Priority Area 9: Poverty Alleviation and Job creation	To ensure economic growth and all capital/ infrastructure projects contribute towards the alleviation of poverty by creating jobs	To reduce the unemployment rate within the municipality	Number of job opportunities created through EPWP and CWP by 30 June 2017	550 jobs opportunities created	300 job opportunities created	550 jobs opportunities created	600 job opportunities created through EPWP and CWP by 30 June 2017	811 job opportunities created by 30 June 2017 <b>Achieved</b>	Budget Vote 024200010	R0	None	None	Appointment Letters

#### KEY PERFORMANCE AREA 3: FINANCIAL VIABILITY

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial	To provide timely and relevant financial manage	Number of quarterly section 52(d) MFMA reports submitted to Council by 30 June 2017	4 Statutory Quarterly Financial Reports submitted to structures of Council.	3 reports were submitted to Council	3 reports were submitted to Council	4 quarterly section 52(d) MFMA reports submitted	4 quarterly section 52(d) MFMA reports were submitted to Council by 30 June 2017	Vote number: 025 2000010	R2735256.91	None	None	Council resolutions

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	management, compliance and accountability	ment reports to all stakeholders.					to Council by 30 June 2017	<b>Achieved</b>					
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To provide timely and relevant financial management reports to all stakeholders	Number of monthly section 71 MFMA reports submitted to Treasury within legislative timeframes by 30 June 2017	To submit 12 section 71 and 1 section 72 report on time	11 Section 71 reports were submitted	11 Section 71 reports were submitted	12 monthly section 71 MFMA reports submitted to Treasury within legislative timeframes by June 2017	12 monthly section 71 MFMA reports were submitted to Treasury within legislative timeframes by June 2017 <b>Achieved</b>	Vote number: 025 20000 10	R273525 6.91	None	None	Proof of submission to Treasury
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To compile and timely submission of accurate information in accordance with prescribed standards and format	Section 72 (midyear) MFMA reports submitted to Council by January 2017	Section 72 Mid-Year Report for 2015/16 FY	Section 72 reports was submitted on the 25th January 2016	Section 72 reports was submitted on the 25th January 2016	1 Section 72 (midyear) MFMA reports submitted to Council by January 2017	1 Section 72 mid-year report for 2016/17 financial year was submitted to council on the 25th January 2017 <b>Achieved</b>	Vote number: 025 20000 10	R273525 6.91	None	None	Council resolution
Priority	To	To	Final MSCOA	New	New	Final	Final	Final MSCOA	Vote	R273525	None	None	Council

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Area 13 : Budget	ensure sound and sustainable financial management, compliance and accountability	establish and implement effective financial management systems	Budget submitted to Council for adoption by 31 May 2017			budget was adopted by Council on the 30 <sup>th</sup> June 2016	MSCOA Budget submitted to Council for adoption by 31 May 2017	budget was submitted and approved by Council on the 30 <sup>th</sup> May 2017 <b>Achieved</b>	number: 025 20000 10	6.91			resolution
Priority Area 17 : Revenue Management	To ensure sound and sustainable financial management, compliance and accountability	To establish and implement effective financial management systems	% collection rate attained by 30 June 2017	To improve payment level to 70% on a monthly basis	55% collection	55% collection rate	70% collection rate per month by 30 June 2017	Collection rate was as follows: July 28% Aug 35% Sept 32% Oct 38% Nov 72% Dec 62% Jan 135% Feb 81% March 100% April 67% May 102% June 128% <b>Not Achieved</b>	Vote number: 025 20000 10	R3 764 344.73	None payment of services by consumers	Implement credit control policy	Monthly Report
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management,	To establish and implement effective financial management	Number of Finance related policies reviewed by 30 June 2017	1 set of finance related policies reviewed and approved by council	Budget related policies were reviewed on 30 June 2016	Budget related policies were reviewed on 30 June 2017	12 finance related policies reviewed by 30 June 2017	15 finance related policies were reviewed by 30 May 2017 <b>Achieved</b>	Vote number: 025 20000 10	R273525 6.91	None	None	Council Resolution

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	compliance and accountability	systems											
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To provide timely and relevant financial management reports to all stakeholders	Submission of Interim financial statements by February 2017	To prepare and submit Interim Financial Statement	Interim Financial Statements were prepared and submitted to Provincial Treasury on the 29th February 2016	Interim Financial Statements were prepared and submitted to Provincial Treasury on the 29th February 2016	Submission of Interim financial statements by February 2017	Interim Financial Statement were submitted on the 28 February 2017  <b>Achieved</b>	Vote number: 025 20000 10	R273525 6.91	None	None	Proof of submission to Provincial Treasury
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To provide timely and relevant financial management reports to all stakeholders	Submission of Annual Financial Statements (AFS) on or before the 31st August 2016	To submit Annual Financial Statements to Auditor General by the 30 August 2015	The Annual Financial statements for 2014/15 were submitted to AG on the 31st August 2015	The Annual Financial statements for 2014/15 were submitted to AG on the 31st August 2015	Submission of Annual Financial Statements (AFS) on or before the 31st August 2016	Annual Financial Statement (AFS) were submitted on the 15 <sup>th</sup> September 2016  <b>Not Achieved</b>	Vote number: 025 20000 10	R273525 6.91	Lack of capacity to finalise AFS on time	Timeouts preparation of the AFS	Proof of acknowledgment
Priority Area 12 :	To ensure sound	To provide timely	Submission of Final Audited Annual Report	2014/15 Annual Report approved by	Final Audited Annual	Final Audited Annual	Submission of Final Audited	The Final Audited Annual	Vote number: r:	-	None	None	Council resolution

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Financial Reporting	and sustainable financial management, compliance and accountability	and relevant financial management reports to all stakeholders	to Council on or before 31st January 2017	January 2015	Report submitted to Council on the 28 <sup>th</sup> January 2015	Report submitted to Council on the 28 <sup>th</sup> January 2015	Annual Report to Council on or before 31st January 2017	Report was submitted to Council on the 25 <sup>th</sup> January 2017 <b>Achieved</b>	025 20000 10				
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To provide timely and relevant financial management reports to all stakeholders	Submission of Oversight Report to Council by 30th March 2017	-	-	Oversight report submitted in March 2016	Submission of Oversight Report to Council by 30th March 2017	The Oversight Report was submitted to Council on the 30 <sup>th</sup> March 2017 <b>Achieved</b>	Vote number: 025 20000 10	-	None	None-	Council resolution
Priority Area 27 : Audit	To ensure sound and sustainable financial management, compliance and accountability	To establish and implement effective financial management systems	Improved Auditor General Opinion - Unqualified with no matters by 30 June 2017	Clean audit for 2014/15 financial year	Disclaimer	Disclaimer	Improved Auditor General Opinion - Unqualified with no matters by 30 June 2017	The municipality obtained a qualified audit opinion <b>Not Achieved</b>	Vote number: 025 20000 10	-	There are still areas of weaknesses within the financial system which needs improvements	Implementation of the audit action plan	AG report
Priority Area 27	To ensure	To establish	% of AG	103 issues were raised by		103 issues	50% of AG	85% of AG management	Vote number	-	None	None	AG report



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
: Audit	sound and sustainable financial management, compliance and accountability	and implement effective financial management systems	management letter findings resolved by 30 June 2017	the Auditor General in 2014/15 audit		were raised by the Auditor General in 2014/15 audit	management letter findings resolved by 30 June 2017	letter findings resolved by 30 June 2017 <b>Achieved</b>	R: 025 20000 10				
Priority Area 27 : Audit	To ensure sound and sustainable financial management, compliance and accountability	To establish and implement effective financial management systems	Action Plan on issues raised by the Auditor General compiled and tabled to Council by 31 <sup>st</sup> January 2017	An Audit Action Plan developed and tabled to Council by 25 January 2016	Audit Action plan tabled to Council on the 28 January 2016.	Audit Action plan tabled to Council on the 28 January 2016.	Action Plan on issues raised by the Auditor General compiled and tabled to Council by 31 <sup>st</sup> January 2017	Audit Action plan on issues raised by the Auditor General was compiled and tabled to council on the 25 <sup>th</sup> January 2017 <b>Achieved</b>	Vote number: 025 20000 10	R 801 232.98	None	None	Council resolution
Priority Area 15 : SCM	To ensure sound and sustainable financial management, compliance and accountability	To establish and implement effective financial management systems	Procurement/demand management plan compiled by 30 August 2016	1 x Procurement/Demand management plan developed by 30 August	1 x Procurement plan was developed for 2015/16 financial year	1 x Procurement plan was developed for 2015/16 financial year	Procurement/demand management plan compiled by 30 August 2016	Procurement/demand management plan was compiled on the 1 <sup>st</sup> July 2016 <b>Achieved</b>	Vote number: 025 20000 10	R 1 886 484.13	None	None	Procurement/demand management plan
Priority	To	To	Number of	4 x quarterly	2 x	2 x	4 quarterly	4 quarterly	Vote	R	None	None	Council

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Area 15 : SCM	ensure sound and sustainable financial management, compliance and accountability	provide timely and relevant financial management reports to all stakeholders	quarterly progress reports on the implementation of SCM Policy submitted by 30 June 2017	reports on the implementation of SCM Policy compiled by June 2014 and submitted to council	Quarterly reports were submitted	Quarterly reports were submitted	progress reports on the implementation of SCM Policy submitted by 30 June 2017	progress reports on the implementation of SCM Policy were submitted by 30 June 2017 <b>Achieved</b>	number: 025 20000 10	1 886 484.13			resolutions on
Priority Area 15 : SCM	To ensure sound and sustainable financial management, compliance and accountability	To establish and implement effective financial management systems	Average number of days elapsed from date of closure to award of tender for 2016/17 financial year	Processing of Bid Committee reports 30 days after closure of tender by June 2016	Bid committee reports were processed on average at 67 days after closure as per the attached report	Bid committee reports were processed on average at 67 days after closure as per the attached report	30 days elapsed from date of closure to award of tender for 2016/17 financial year	45 days elapsed from date of closure to award of tenders for 2016/17 financial year <b>Not Achieved</b>	Vote number: 025 20000 10	R 1 403 431.63	Non-compliance with the schedule of meetings	Ensure compliance with the schedule	Report from SCM
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management,	To ensure effective, efficient and economic use of financial and	Submit to Corporate Services the Annual Report information by 30 September 2016	2014/15 Annual Report approved by January 2015	2014/15 Annual Financial Information was submitted in August 2015	2014/15 Annual Financial Information was submitted in August	Submit to Corporate Services the Annual Report information by 30 September	Annual report information was submitted to Corporate Service on the 19 <sup>th</sup> August 2016	Vote number: 025 20000 10	R 801 232.98	None	None	Proof of submission to Corporate Services

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	compliance and accountability	other resources				2015	r 2016	<b>Achieved</b>					
Priority Area 26: Risk Management	To promote good governance	Develop a risk based three year strategic rolling plan and annual plan	% of Risk action plans resolved to address Operational and Strategic Risk Identified per quarter by 30 June 2017	85% of identified risk mitigating measures for planning and development implemented by 30 June 2015. Quarterly target 21.24%	30% mitigation measures were implemented	30% mitigation measures were implemented	85% of Risk action plans resolved to address Operational and Strategic Risk Identified per quarter by 30 June 2017	93% of risk action plans was resolved to address Operational and Strategic Risk Identified per quarter by 30 June 2017  <b>Achieved</b>	Vote number: 025 20000 10	R 801 232.98	None	None	Progress report on implemented mitigating measures
Priority Area 16 : Asset Management	To ensure sound and sustainable financial management, compliance and accountability	To ensure effective, efficient and economic use of financial and other resources	Number of assets verification conducted by 30 June 2017	2 verification exercises 1 on movable and another on immovable assets conducted by June 2016	1x Assets verification has been done, for movables only 30 June 2016 report attached	2 Asset verification conducted	2 assets verification conducted by 30 June 2017	2 assets verification was conducted by 30 June 2017  <b>Achieved</b>	Vote number: 025 20000 10	R 1 905 859.33	None	None	Assets verification report
Priority Area 13 : Budget	Establish appropriate mechanisms,	Deepened democracy, accountability	Number of budget consultative meetings and Indaba held by	9 budget consultative meetings were held in the year 2014/15	9 budget consultative meetings were held	9 budget meetings were held	9 budget consultative meetings and 1	20 Budget consultative meetings and 1 Indaba were held by	Vote number: 025 20000	R2735256.91	None	None	Minutes and attendance register of the meetings

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	processes and procedures to enable the local community to participate in the affairs of the municipality	bility and access to information on all matters of local government by the public	30 June 2017	financial year	in the year 2014/15 financial year		Indaba held by 30 June 2017	30 June 2017. <b>Achieved</b>	10				
Priority Area 13 : Budget	To comply with the Integrated Development Planning as prescribed by the legislation	To ensure the reviewal of the IDP	Final IDP tabled and approved by Council by the 31st May 2017	New	2015/2016 IDP was adopted on the 24th March 2015	2015/2016 IDP was adopted on the 24th March 2015	Final IDP tabled and approved by Council by the 31st May 2017	Final IDP was approved on the 30 May 2017 <b>Achieved</b>	Vote number: 025 20000 10	R3 764 344.73	None	None	Council Resolution
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and	To ensure effective, efficient and economic use of financial and other resource	Number of MSCOA project implementation Committee meetings held by 30 June 2017	New Target	New Target	New Target	32 x MSCOA project implementation Committee meetings held by 30 June 2017	4 MSCOA project implementation Committee meetings were held by 30 June 2017 <b>Not Achieved</b>	Vote number: 025 20000 10	R 801232.98	Poor attendance by committee members	None as the project has come to an end	Attendance register and minutes of the meetings

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	accountability	s											
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To ensure effective, efficient and economic use of financial and other resources	Number of MSCOA reports submitted to Council by 30 June 2017	New Target	New Target	New Target	12 MSCOA reports submitted to Council by 30 June 2017	3 MSCOA reports were submitted to Council by 30 June 2017 <b>Not Achieved</b>	Vote number: 025 20000 10	R3 764 344.73	Oversight	None as the project has come to an end	Council Resolution
Priority Area 12 : Financial Reporting	To ensure sound and sustainable financial management, compliance and accountability	To ensure effective, efficient and economic use of financial and other resources	Number of MSCOA project Steering Committee meetings held by 30 June 2017	New	New	New	12 MSCOA project Steering Committee meetings held by 30 June 2017	6 MSCOA project steering committee meetings were held by 30 June 2017 <b>Not Achieved</b>	Vote number: 025 20000 10	R3 764 344.73	Non adherence to the schedule of meetings.	None as the project came to an end.	Attendance register and minutes of the meetings
Priority Area 14: Expenditure Management	To ensure sound and sustainable financial management, compliance	To establish and implement financial management system	Percentage of creditors paid within 30 days by 30 June 2017	New Target	New Target	New Target	100% of creditors paid within 30 days by 30 June 2017	47.6% of creditors paid within 30 days by 30 June 2017 <b>Not Achieved</b>	Vote number: 025 20000 10	R1 177 872.3	Cash flow challenges	To improve revenue collection	Reconciliation report

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	ce and accountability												

**KEY PERFORMANCE AREA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 27 : Audit	To encourage and ensure cooperative governance	Develop a risk based three year rolling plan and annual plan	Approval of Internal Audit Plan for 2016/17 by 30 August 2016	1	An Internal Audit Plan for 2015/16 was approved	An Internal Audit Plan for 2015/16 was approved	Approved Internal Audit Plan for 2016/17 by 30 August 2016	Internal Audit Plan for 2016/17 was approved on 10 August 2016  <b>Achieved</b>	Vote Number: 02420 0010		None	None	Audit committee resolution
Priority Area 27 : Audit	To encourage and ensure cooperative governance	Develop and periodically update the Internal Audit Charter and Methodology	Approval of Internal Audit Charter and Methodology for 2017/2018 by 30 June 2017	1	Internal Audit Charter and Methodology for 2015/16 was approved	Internal Audit Charter and Methodology for 2015/16 was approved	Approved Internal Audit Charter and Methodology for 2017/2018 by 30 June 2017	Internal Audit Charter and Methodology for 2017/2018 was approved on the 19 May 2017  <b>Achieved</b>	Vote Number: 02420 0010		None	None	Audit Committee resolution
Priority Area 27 : Audit	To encourage and ensure cooperative governance	Implementation of the approved internal audit plan	Number of audits conducted by 30 June 2017	22	22 audits conducted in the 2015/2016 financial year	22 audits conducted in the 2015/2016 financial year	19 Audits conducted by 30 June 2017	19 audits were conducted by 30 June 2017  <b>Achieved</b>	Vote Number: 02420 0010		None	None	Internal Audit Reports
Priority Area 27 : Audit	To encourage	Submission of quarterly	Number of Internal	5	6 progress reports	6 progress	4 Internal	4 Internal Audit	Vote Number		None	None	Audit Committee

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	and ensure cooperative governance	progress reports submitted to Audit Committee and Council	Audit quarterly progress reports submitted to the Audit Committee by 30 June 2017		were submitted to the Audit Committee by June 2016	reports were submitted to the Audit Committee by June 2016	Audit quarterly progress reports submitted to the Audit Committee by 30 June 2017	<b>Achieved</b>	r: 02420 0010				e resolution
Priority Area 27 : Audit	To encourage and ensure cooperative governance	To arrange clean audit committee meetings	Number of clean audit committee meetings held by 30 June 2017	4	4 meetings were held for the financial year 2015/16	4 meetings were held for the financial year 2015/16	4 clean audit committee meetings held by 30 June 2017	1 Clean audit committee meeting was held on 09 March 2017 <b>Not Achieved</b>	Vote Number: 02420 0010		Busy schedule of members	Re-work the target	Agenda/minutes
Priority Area 25: Performance Management	To promote good governance	Review the Performance Management Framework by 31 July 2016	Review of Performance Management Framework by 31 July 2016	Reviewed Performance Management Framework by 31 July 2015	Performance Management Framework reviewed in 2015	Performance Management Framework reviewed in 2015	Reviewed Performance Management Framework by 31 July 2016	Performance Management Framework was reviewed on the 25th January 2017 <b>Achieved</b>	Vote number: 025 20000 10	-	None	None	Council resolution
Priority Area 25:	To promote	Assess	Number of	Assess	1 x Mid-	1 x Mid-	1 x Mid-	1x Mid-Year	Vote	-	None	None	Mid-year



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Performance Management	good governance	performance of individuals managers against the set targets	Mid-Year Performance assessment conducted by 30 June 2017	mid-year performance on or before 30 January 2016	Year performance assessments conducted	Year performance assessment conducted	Year Performance assessment conducted by 30 June 2017	Performance Assessment s were conducted on the 20 <sup>th</sup> & 24 <sup>th</sup> January 2017  <b>Achieved</b>	number: 025 20000 10				performance report and Council resolution
Priority Area 25: Performance Management	To fulfill the legislative requirements	Sign performance agreements in terms of section 57 of the MSA within prescribed timeframe	% of Performance Agreements signed by 28 July 2016	Performance agreements for existing S54 and S56 signed within 28 days in terms of section 57 of the MSA by 28 July 2015	Performance Agreements for 2015/16 were signed on the 21 <sup>st</sup> July 2015	Performance Agreements for 2015/16 were signed on the 21 <sup>st</sup> July 2015	100% of Performance Agreements signed by 28 July 2016	100% of Performance Agreements were signed on the 28 <sup>th</sup> July 2016  <b>Achieved</b>	Vote number: 025 20000 10	-	None	None	Signed Performance Agreements
Priority Area 25: Performance Management	To monitor , review and improve the Implementation of the IDP	Submission of monthly, quarterly and half yearly reports of the SDBIP	Approval of the SDBIP by Executive Mayor within 28 days after adoption of	Signed copy of the SDBIP approved by the Executive Mayor within 28	2015/16 SDBIP were approved	2015/16 SDBIP were approved	SDBIP approved by Executive Mayor within 28 days after	The SDBIP was approved by the Executive Mayor on the 28 <sup>th</sup> days after	Vote number: 025 20000 10	-	None	None	Approved 2016/17 SDBIP

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			the Budget for 2016/17	days after the budget approval			adoption of the Budget for 2016/17	the budget approval of 2016/17 <b>Achieved</b>					
Priority Area 25: Performance Management	To monitor , review and improve the Implementation of the IDP	Submission of monthly, quarterly and half yearly reports of the SDBIP	Number of performance reports submitted by 30 June 2017	New Target	-	2 quarterly performance reports submitted	4 performance reports submitted by 30 June 2017	3 performance Reports were submitted by 30 June 2017 <b>Not Achieved</b>	Vote number: 025 20000 10	-	Due to the annual performance report that was submitted , the fourth quarter report was not prepared	The fourth quarter report will be submitted	Performance reports
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	To ensure adherence with legislation and implementation of systems that will result in service excellence	Number of MPAC meetings held by 30 June 2017	New Target	New Target	New Target	4 MPAC meetings held by 30 June 2017	12 x MPAC meeting were held by 30 June 2017 <b>Achieved</b>	Vote number: 025 20000 10	-	None	None	Minutes of meetings

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 26: Risk Management	To promote good governance	Provide reasonable assurance that risks of the organization are effectively mitigated/managed	Review of the Risk management Policy, Strategy, Charter and Risk Management Plan by 30 July 2016	Review of Risk Management Policy, risks management strategy, risk management charter and risk management implementation plan documents regarding Risk Management Framework to be approved by 31 July 2015.	Risk management Policy, Strategy, Charter and Risk Management Plan	Risk management Policy, Strategy, Charter and Risk Management Plan	Reviewed Risk management Policy, Strategy, Charter and Risk Management Plan by 30 July 2016	The Risk management Policy, Strategy, Charter and Risk Management Plan were reviewed on the 26 May 2016  <b>Achieved</b>	Vote no: 02420 0010		None	None	Council resolution
Priority Area 26: Risk Management	Develop a culture of risk management within the organization	Provide reasonable assurance that risks of the organization are effectively mitigated/managed	Number of risk assessment workshops conducted by 30 September 2016	Strategic risk, operational risk, ICT risk and fraud risk to be conducted.	Risk assessment workshop are conducted on an annual basis except for MSCOA Project Risk	Risk assessment workshops are conducted on an annual basis except for MSCOA Project	5 Risk assessment workshop conducted by 30 September 2016	3 Risk assessment workshops were conducted by 30 Sep 2016. Operational risk was finalized in February 2017	Vote no: 02420 0010	-	Lack of Capacity	Capacitate Risk Office	Council resolutions

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
						Risk		<b>Not Achieved</b>					
Priority Area 26: Risk Management	Develop a culture of risk management within the organization	Develop and implement a fraud prevention and anti-corruption plan	Review of Fraud, Prevention and Detection Policy, Fraud Prevention Plan and Response Plan by 30 July 2016	Review of fraud, prevention and detection policy fraud, prevention and detection policy prevention plan and response plan to be Approved by 31 July 2015	The Fraud, Prevention and Detection Policy, Fraud Prevention Plan and Response Plan were in place	The Fraud, Prevention and Detection Policy, Fraud Prevention Plan and Response Plan were in place	Reviewed Fraud, Prevention and Detection Policy, Fraud Prevention Plan and Response Plan by 30 July 2016	The Fraud, Prevention and Detection Policy, Fraud Prevention Plan and Response Plan was reviewed on the 24 November 2016  <b>Achieved</b>	Vote no: 02420 0010		None	None	Council resolutions
Priority Area 26: Risk Management	Develop a culture of risk management within the organization	Provide reasonable assurance that risks of the organization are effectively mitigated/managed	Review of Risk register for 2016/17 by 30 September 2016	1 combined risk register to be approved by 31 July 2015	risk register is reviewed on an annual basis	risk register is reviewed on an annual basis	Reviewed Risk register for 2016/17 by 30 September 2016	The risk register for 2016/17 was reviewed on the 16 November 2016  <b>Not Achieved</b>	Vote no: 02420 0010		Lack of Capacity	Capacitate Risk Office	Council resolutions
Priority Area 26: Risk Management	To promote good governance	Provide reasonable assurance	Number of Risk Management	At least 4 meetings to be held	4 Risk Management	4 Risk Management	4 Risk Management	4 Risk Management	Vote no: 02420		None	None	Minutes of meetings

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
		that risks of the organizations are effectively mitigated/managed	nt Committee meetings held by 30 June 2017		Committee meetings held	Committee meetings held	Committee meetings held by 30 June 2017	Committee Meetings were held by 30 June 2017 <b>Achieved</b>	0010				
Priority Area 24: Community Involvement	To ensure a community centred approach to governance and development	Invite members of the public to 6 ordinary Council Sitings by 30 <sup>th</sup> June 2017	Number of notices for ordinary council sittings issued by 30 June 2017	-	6 council sittings held	6 council sittings held	6 notices for ordinary council sittings issued by 30 June 2017	12 notices for ordinary council sittings and 4 special council sittings were issued by 30 June 2017 <b>Achieved</b>	Vote number: 260019	R142 813.56	None	None	Invitations issued
Priority Area 24: Community Involvement	To ensure a community centered approach to governance and development	To solicit views and inputs of members of the public into the IDP	Number of IDP consultative meetings held by 30 June 2017	-	26 IDP consultative meetings held	26 IDP consultative meetings held	28 IDP consultative meetings held by 30 June 2017	19 IDP Consultative meetings were held by 30 June 2017 <b>Not Achieved</b>	Vote number: 260019	R142 813.56	Lack of evidence for other meetings	Improve records keeping	Minutes of the IDP consultative meetings

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 24: Community Involvement	To encourage cooperative governance and ensure a people centred approach to governance and development	To solicit views and inputs of members of the public into the Budget	Number of Budget consultative meetings held by 30 June 2017		8 Budget consultative meetings held	8 Budget consultative meetings held	8 Budget consultative meetings held by 30 June 2017	8 Budget consultative meetings were held by 30 June 2017 <b>Achieved</b>	Vote number: 260019	R115 068.50	None	None	Minutes of Budget consultative meetings
Priority Area 24: Community Involvement	To ensure community centered approach to governance and development	Establishing ward committees and overseeing their functionality.	Number of ward committees established by 30 June 2017	8	8 ward committee established	8 ward committee established	8 ward committees established by 30 June 2017	8 ward committees were established by 30 June 2017. <b>Achieved</b>	Vote number: 260019	R 115068.50	None	None	List of established ward committees
Priority Area 24: Community Involvement	To ensure community centered approach to governance and development	Establishing ward committees and overseeing their functionality.	% of ward committees that are functioning by 30 June 2017	100%	5 functional ward committee	5 functional ward committee	100% of ward committees functional by 30 June 2017	63% of ward committees were functional by 30 June 2017 <b>Not Achieved</b>	Vote number: 260019	115 068.50	Ward Committees were established late due to August elections	A Monthly schedule of Meetings has been developed	Ward Committee Report
Priority Area 24: Community Involvement	To ensure a community centered approach to governance and development	Organize community capacity building workshops	Number of Civic education and awareness workshops held by 30	-	4 civic awareness workshop held	4 civic awareness workshop held	4 Civic education and awareness workshops held	4 civic education and awareness were held by 30 June 2017	Vote number: 260019	R 115 068.50			Attendance register

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			June 2017				by 30 June 2017	<b>Achieved</b>					
Priority Area 24: Community Involvement	To ensure a community centred approach to governance and development	Issue invitations to members of the local council of stakeholders	Number of local council of stakeholders invitations issued by 30 <sup>th</sup> of June 2017		None	None	4 local council of stakeholders invitations issued by 30 <sup>th</sup> of June 2017	3 local council of stakeholders invitations were issued by 30 June 2017.  <b>Not Achieved</b>	Vote number: 260019	R 115 068.50	Delays in the composition of the council due to elections	Link the term of Council of Stakeholders with that of Council	Delivery register of invitations
Priority Area 11: Youth Development	To create an enabling environment that will alleviate poverty and promote economic growth and development .	By creating interventions aimed at providing access to quality education and skills development to youth out of school and in school	Number of Career Expo held by 30 June 2017	1	1 career expo held in April 2016	1 career expo held in April 2017	1 Career Expo held by 30 June 2017	01 Career Expo was held on 04 May 2017  <b>Achieved</b>	Vote number: 260220	-	None	None	Report with attendance Register and photos
Priority Area 20: Education	To create an enabling environment that will alleviate poverty and promote economic growth and	By facilitating programmes directed at combating crimes, substance abuse and social ills	Number of teenage pregnancy awareness conducted by 30 June 2017	2	02 teenage pregnancy awareness campaign held	02 teenage pregnancy awareness campaign held	2 teenage pregnancy awareness conducted by 30 June	02 Teenage Pregnancy awareness were conducted by 30 June 2017  <b>Achieved</b>	Vote number: 260220	-	None	None	Report with attendance Register and photos

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	development .	amongst the youth					2017						
Priority Area 20: Education	To create an enabling environment that will alleviate poverty and promote economic growth and development .	By facilitating programmes directed at combating crimes, substance abuse and social ills amongst the youth	Number of substance and drug abuse awareness held by 30 June 2017	4	03 substance and drug abuse awareness held and 02 LDAC meeting held	03 substance and drug abuse awareness held and 02 LDAC meeting held	2 substance and drug abuse awareness held by 30 June 2017	02 substance and Drug Abuse Awareness were held by 30 June 2017 <b>Achieved</b>	Vote number : 260220	-	None	None	Report with attendance Register and photos
Priority Area 20: Education	To create an enabling environment that will alleviate poverty and promote economic growth and development .	By facilitating programmes directed at combating crimes, substance abuse and social ills amongst the youth	Number of Local Drug Action Committee meetings held by 30 June 2017	4	03 substance and drug abuse awareness held and 02 LDAC meeting held	03 substance and drug abuse awareness held and 02 LDAC meeting held	4 Local Drug Action Committee meetings held by 30 June 2017	4 Local Drug Action Committee meetings were held by 30 June 2017 <b>Achieved</b>	Vote number : 260220	-	None	None	Report with attendance Register and photos
Priority Area 11: Youth Development	To create an enabling environment that will alleviate poverty and promote economic growth and	By promoting the participation of young people in the public and private procurement	Number of Local youth entrepreneurship development workshop held by 30 June 2017	4	02 Youth SMME's development held (EDP)	02 Youth SMME's development held (EDP)	4 Local youth entrepreneurship development workshop held by 30	5 Local youth entrepreneurship development workshops were held by 30 June 2017	Vote number : 260220	R0.00	None	None	Attendance Register



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	development .						June 2017	<b>Achieved</b>					
Priority Area 11: Youth Development	To create an enabling environment that will alleviate poverty and promote economic growth and development .	By creating interventions aimed at providing access to quality education and skills development to youth out of school and in school	Number of Life skills workshops held by 30 June 2017	N/A	New target	New target	4 Life skills workshops held by 30 June 2017	03 Life Skills workshops were held by 30 June 2017  <b>Achieved</b>	Vote number : 260220	R0.00	Lack of Capacity	Capacitate Youth Office	Report with attendance Register
Priority Area 11: Youth Development	To create an enabling environment that will alleviate poverty and promote economic growth and development .	By creating interventions aimed at providing access to quality education and skills development to youth out of school and in school	Number of Career guidance held by 30 June 2017	N/A	New project	New project	2 Career guidance held by 30 June 2017	04 Career Guidance were held by 30 June 2017  <b>Achieved</b>	Vote number : 260220	R0.00	None	None	Report with attendance Register and photos
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To encourage and ensure co-operative governance	Working in partnership with sector departments , social partners,	Number of LAC meeting held by 30 June 2017	04 LAC meeting to be held by the end of June 2016	02 LAC meeting seated in 2015/2016 financial year.	02 LAC meeting seated in 2015/2016	4 LAC meeting held by 30 June 2017	04 LAC meetings were held by 30 June 2017	Vote number : 260220	-	None	None	Minutes per meeting

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
		NGO's and CBO's in the fight against HIV/AIDs and related diseases.				financial year.		<b>Achieved</b>					
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	Working in partnership with sector departments , social partners, NGO's and CBO's in the fight against HIV/AIDs and related diseases.	Number of HIV/AID's awareness campaigns held by 30 June 2017	04 Health awareness campaigns /dialogue to be held	03 health education held in 2015/2016	03 health education held in 2015/2016	4 HIV/AID's awareness campaigns held by 30 June 2017	04 HIV/AID's awareness campaigns were held by 30 June 2017 <b>Achieved</b>	Vote number : 260220	-	None	None	Awareness Campaign report
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	By bringing all sectors of the community together in building of a high moral fibre and positive values to the community	Hosting of Moral regeneration event by 31 December 2016	1 Moral Regeneration (MR) event to be held by December 2015	None	None	Host the Moral regeneration event by 31 December 2016	Moral regeneration event was held on 31 <sup>st</sup> December 2016 <b>Achieved</b>	Vote number : 260220	-	None	None	Report on MR and photos
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and	By facilitating and co-ordinating programmes aimed at	Number of disability Forum held by 30 June 2017	02 disability forum meetings and 02 disability	02 Disability forum held	02 Disability forum held	2 disability Forum held by 30 June 2017	02 disability forum were held by 30 June 2017 <b>Achieved</b>	Vote number : 260220		None	None	Minutes of the meeting

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	development	changing the lives of vulnerable and poor including the elderly, children and women		awareness campaign by June 2016									
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	By facilitating and co-ordinating programmes aimed at changing the lives of vulnerable and poor including the elderly, children and women	Number of disability awareness campaigns conducted by 30 June 2017	02 disability awareness campaign by June 2016	2 Disability awareness campaign held	2 Disability awareness campaign held	2 disability awareness campaign conducted by 30 June 2017	02 disability awareness campaigns were conducted by 30 June 2017 <b>Achieved</b>			None	None	Minutes of the meeting
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	By facilitating and co-ordinating programmes aimed at changing the lives of vulnerable and poor including the elderly, children and women	Number of elderly Forum held by 30 June 2017	4 x activities for elderly by June 2016. (2 x elderly forum meetings, 1x elderly awareness campaign, 1x sporting activity for elderly	01 Elderly Forum Meeting held & 01 Indigenous Games for Elderly Persons held.	01 Elderly Forum Meeting held & 01 Indigenous Games for Elderly Persons held.	2 elderly Forum held by 30 June 2017	02 elderly forum were held by 30 June 2017 <b>Achieved</b>	Vote number : 260220		None	None	Minutes of the meeting and attendance register

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
				persons)									
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	By facilitating and co-ordinating programmes aimed at changing the lives of vulnerable and poor including the elderly, children and women	Number of awareness campaigns conducted by 30 June 2017	4 x activities for elderly by June 2016. (2 x elderly forum meetings, 1x elderly awareness campaign, 1x sporting activity for elderly persons)	01 Elderly Forum Meeting held & 01 Indigenous Games for Elderly Persons held.	01 Elderly Forum Meeting held & 01 Indigenous Games for Elderly Persons held.	2 awareness campaigns conducted by 30 June 2017	02 awareness campaigns were held by 30 June 2017  <b>Achieved</b>	Vote number : 260220		None	None	Minutes of the meeting and attendance register
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance and development	By facilitating and co-ordinating programmes aimed at changing the lives of vulnerable and poor including the elderly, children and women	Number of children forum held by 30 June 2017	04 children forum meetings to be held by the end of June 2016	02 children forum meeting held in 2015/2016 financial year	02 children forum meetings held in 2015/2016 financial year	4 children forum held by 30 June 2017	04 children forum were held by 30 June 2017  <b>Achieved</b>	Vote number : 260220		None	None	Minutes per meeting
Priority Area 19: HIV & AIDS, Transversal and Special Programmes	To ensure a community centered approach to governance	By facilitating and co-ordinating programmes	Number of workshops for women owned SMMEs	New Target	New Target	New Target	1 workshop for women owned	01 workshop for women owned SMMEs	Vote number : 260220		None	None	Report on workshop

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	and development	aimed at changing the lives of vulnerable and poor including the elderly, children and women	conducted by 30 June 2017				SMMEs conducted by 30 June 2017	was conducted by 30 June 2017 <b>Achieved</b>					

**KEY PERFORMANCE AREA 5: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Develop meeting agendas and arrange meetings of Council and its committees according to the calendar of events	Number of management committee meetings held by 30 June 2017	21 Agendas/meetings by 30/06/2016	Nineteen (19) Management Committee Meetings were held by 30 June 2016	20 Agendas/Meetings held in 2015/2016 Financial year	Twenty (20) management committee meetings held by 30 June 2017	Twenty-one (21) Management Committee Meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas, minutes and attendance registers
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Develop meeting agendas and arrange meetings of Council and its committees according to the calendar of events	Number of Agendas issued for S80 committees by 30 June 2017	36 Agendas/meetings by 30/06/2016	36 Meetings were held by 30 June 2016	33 agendas/Meetings held in 2015/2016 financial year	Thirty three (33) Agendas issued for S80 committees by 30 June 2017	Thirty three (33) Section 80 Committee Meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas, minutes and attendance registers
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Develop meeting agendas and arrange meetings of Council and its committees according to the calendar of events	Number of Mayoral Committee meetings held by 30 June 2017	11 Agendas/meetings by 30/06/2016	Sixteen (16) Mayoral Committee Meetings were held by 30 June 2016	15 agendas/Meetings held in 2015/2016 financial year	Ten (10) Mayoral Committee meetings held by 30 June 2017	Thirteen (13) Mayoral committee meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas, minutes and attendance registers

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	n of systems that will result in service excellence	its committees according to the calendar of events	held by 30 June 2017.		meetings were held by 30 June 2016	16 financial year	s held by 30 June 2017.	<b>Achieved</b>					registers
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Develop meeting agendas and arrange meetings of Council and its committees according to the calendar of events	Number of Council meetings held by 30 June 2017	08 Agendas/meetings by 30/06/2016	Thirteen (13) Council meetings were held by 30 June 2016	16 Agendas/Meetings held in 2015/2016 financial year.	Eight (8) Council meetings held by 30 June 2017	Fourteen (14) Council meetings were held by 30 June 2017 <b>Achieved</b>	R59 000	R75 034	None	None	Copies of Agendas, minutes and attendance registers
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Develop meeting agendas and arrange meetings of Council and its committees according to the calendar of events	Number of Section 79 meetings held by 30 June 2017.	8 Agendas/meetings by 30/06/2016	15 Section 79 Committee meetings were held by 30 June 2016	14 agendas/Meetings held in 2015/2016 financial year.	Twenty four (24) Section 79 meetings held by 30 June 2017	Twenty-four (24) Section 79 Committee meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas, minutes and attendance registers

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 28: Legal Services and Labour Relations	To ensure adherence with legislation and implementation of systems that will result in service excellence	Improve the employer/employee relationship by managing employee grievances effectively and convening of the Local Labour Forum meetings	Number of LLF meetings held by 30 June 2017	12 meetings to be held by 30/06/2016	Six (6) Meeting were held: 14 August 2015 & 18 September 2015, 19 November 2015, 3 March 2016, 16 March 2016, & 26 April.	LLF meetings held in 2015/2016 financial year	Twelve (12) of LLF meetings held by 30 June 2017	Thirteen (13) LLF meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas and attendance registers
Priority Area 30: Support Services	To ensure adherence with legislation and implementation of systems that will result in service excellence	Effective implementation of contract management	Number of Contract Management Committee meetings held by 30 June 2017		One (1) Contract Management Committee meeting held. 4 April 2016.	Number of meetings held in 2015/16 financial year	Seven (7) Contract Management Committee meetings held by 30 June 2017	Seven (07) Contract Management Committee meetings were held by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of Agendas and attendance registers
Priority Area 30: Support Services	To ensure adherence with legislation	Review user's access to ensure that only	Reviewal and updating of all	Number of new, existing and terminated	The number of users is as	Current information/data	Reviewed and updated of all	All users ID's access were reviewed	R0	R0	None	None	Monthly reports



Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	and implementation of systems that will result in service excellence	authorised users have access	users ID's access by 30 June 2017	users by 30 June 2016	follows:  New users 6 Terminated users 6 Existing users 124		users ID's access by 30 June 2017	and updated by 30 June 2017  <b>Achieved</b>					
Priority Area 29: Records Management	To ensure adherence with legislation and implementation of systems that will result in service excellence	Implement proper registry/records management practises and Convene Records Advisory Management Committee Meetings	Number of RMAC meetings held by 30 June 2017	06 Agendas/  Meetings by 30/06/2016	Four (4) Records Management Advisory committee meetings were held by 30 June 2016	6 meetings in the 2015/2016 financial year	Six (6) RMAC meetings held by 30 June 2017	Six (06) RMAC meetings were held by 30 June 2017  <b>Achieved</b>	R0	R0	None	None	Copies of Agendas, Minutes and attendance registers
Priority Area 31: Employment Equity	To ensure adherence with legislation and implementation of systems that will result in service excellence	Appointment of people from designated groups	Number of employees from previously disadvantaged groups appointed as per the approved	Appointment of 4 females and 1 disabled person by 30 June 2016	Five(5) males & Eight (8) females were appointed by 30 June 2016	4 females and 1 disabled person appointed in the 2015/16 financial year	8 females and 1 disabled person appointed by 30 June 2017	7 females and 2 disabled persons were appointed by 30 June 2017  <b>Achieved</b>	R0	R0	None	None	Copies of appointment Letters

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			EE plan by 30 June 2017										
Priority Area 33: Skills development	To ensure adherence with legislation and implementation of systems that will result in service excellence	Compile and submit the Workplace Skills Plan and Report	Compile WSP for 2017/2018 and report for 2016/2017 and submit to LGSETA by 30 April 2017.	WSP for 2016/2017 financial year compiled and submitted to LGSETA by April 2016	The 2016/17 WSP was submitted to LGSETA on April 2016	2016/2017 Workplace Skills Plan and report for 2015/2016 financial year submitted to LGSETA	Compiled WSP for 2017/2018 and report for 2016/2017 and submit to LGSETA by 30 April 2017	WSP for 2017/2018 and report for 2016/2017 were compiled and submitted to LGSETA on 28 April 2017.  <b>Achieved</b>	R0	R0	None	None	Acknowledgement of receipt by LGSETA.
Priority Area 33: Skills development	To ensure adherence with legislation and implementation of systems that will result in service excellence	Compile and submit the Workplace Skills Plan and Report	% of budget spent implementing Workplace Skills Plan by 30 June 2017	New Target	New Target	New Target	100% budget (R593 000) spent implementing Workplace Skills Plan by 30 June 2017	100% budget (R593 000) was spent implementing Workplace Skills Plan by 30 June 2017  <b>Achieved</b>	R593 000	R593 000	None	None	Budget Variance Report and unpaid invoices

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 34: Human Resource Management	To ensure adherence with legislation and implementation of systems that will result in service excellence	Induction of new and existing employees on work policies	Number of new and existing employees inducted by 30 June 2017	Number of employees inducted by 30/06/2016	Eight (08) Employees were inducted:	Number of employees inducted in the 2015/2016 Financial year	100 new and existing employees inducted by 30 June 2017	52 new and existing employees were inducted by 30 June 2017  <b>Not Achieved</b>	R0	R0	Due to busy schedule of municipal employees	A new schedule will be issued to departments	Attendance registers
Priority Area 33: Skills development	To ensure adherence with legislation and implementation of systems that will result in service excellence	Training of municipal officials including Councillors and the unemployed	Number of training programmes conducted as per the WSP by 30 June 2017	Number of training programs conducted by March 2016	Eight (8) Training programs were conducted by 30 June 2016	Number of training programmes conducted in the 2015/2016 financial year	23 training programmes conducted as per WSP by 30 June 2017	Fourteen (14) training programs were conducted as per WSP by 30 June 2017  <b>Not Achieved</b>	R593 000	R357 338	Other training programmes could not be implemented due to financial constraints	Continue to submit applications for external funding e.g. LGSET A etc.	Attendance Registers & Consolidated training reports

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 33: Skills development	To ensure adherence with legislation and implementation of systems that will result in service excellence	Convene Training Committee meetings	Number of training committee meetings held by 30 June 2017	-	-	Number of training committee meetings held in 2015/16	Four (4) training committee meetings held by 30 June 2017	Five (5) Training Committee meetings were held by 30 June 2017  <b>Achieved</b>	R0	R0	None	None	Minutes & Attendance registers
Priority Area 32: Occupational Health and Safety	To ensure adherence with legislation and implementation of systems that will result in service excellence	To ensure that a vehicle is available for the safety officer to conduct inspections in all four units and arrange OHS meetings as required by the act and as per the calendar of events	Number of Safety meetings held by 30 June 2017	04 meetings to be held by 30/06/2016	One (01) meeting held on the 30 September 2015.	4 meetings held in the 2015/2016 financial year	Ten (10) Safety meetings held by 30 June 2017	Eleven (11) Safety meetings were held by 30 June 2017  <b>Achieved</b>	R0	R0	None	None	Minutes & Attendance Registers

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 32: Occupational Health and Safety	To ensure adherence with legislation and implementation of systems that will result in service excellence	Conduct employee medical check-ups twice a year	Number of medical check-ups conducted by 30 June 2017.	2 Medical check-ups conducted by 30/06/2016	1 Medical Check-up was conducted	2 Medical Check-ups conducted in the 2015/16 financial year	Two (02) medical check-ups conducted by 30 June 2017.	Two (2) medical check-ups were conducted by 30 June 2017 <b>Achieved</b>	R20 000	R16 593	None	None	Summarized reports of the medical check-ups and Attendance Registers.
Priority Area 34: Human Resource Management	To ensure adherence with legislation and implementation of systems that will result in service excellence	Filing of vacant budgeted posts especially critical positions	Number of approved budgeted vacant positions filled by the 30 June 2017	50% Of the Number of vacant budgeted posts to be filled by 30/06/2016	13 (50%) Posts were filled by 30 June 2016	Number of Vacant budgeted posts filled	29 approved budgeted vacant positions filled by the 30 June 2017	Twenty Nine (29) approved budgeted vacant positions were filled by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Copies of appointment letters
Priority Area 34: Human Resource Management	To ensure adherence with legislation and implementation	Development and review of the Organizational Structure and HR	Reviewal and submission of organisational	Reviewed Organizational structure for 2016/17 financial	The Organizational Structure was approved	Current organizational structure	Review and submit organizational structure	The organisational structure (aligned to the IDP and	R0	R0	None	None	Reviewed Organizational structure

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	n of systems that will result in service excellence	policies	structure (aligned to the IDP and Budget) to Council for approval before 30 June 2017	year by 30/06/2016	on 26 May 2016		e (aligned to the IDP and Budget) to Council for approval before 30 June 2017	Budget) was reviewed and submitted to Council for approval on the 30 May 2017. <b>Achieved</b>					
Priority Area 34: Human Resource Management	To ensure adherence with legislation and implementation of systems that will result in service excellence	Development and review of the Organizational Structure and HR policies	Number of policies reviewed and developed by 30 June 2017	8 policies to be reviewed by 30 June 2016.	10 policies to be reviewed by 30 June 2016.	Existing HR policies	(8) Policies Reviewed and developed by 30 June 2017	Eight (8) Policies were reviewed and developed by 30 June 2017 <b>Achieved</b>	R0	R0	None	None	Council resolutions on the approved policies
Priority Area 28: Legal Services and Labour Relations	To ensure adherence with legislation and implementation of systems that will result	Adoption and promulgation of by-laws	Number of By-laws promulgated by 30 June 2017	Four (4) By-Laws adopted and promulgated by 30/06/2016	Twelve (12) By-Laws were promulgated.	14 by-laws adopted by Council promulgated	9 By-laws promulgated by 30 June 2017	Two (2) By-Laws were promulgated by 30 June 2017 <b>Not</b>	R0	R0	Still waiting for the comments & inputs from the public	Promulgate by – laws after receiving the comments & inputs report	Government Gazette/Promulgated by-laws

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
	in service excellence							Achieved					

#### KEY PERFORMANCE AREA 6: SPATIAL RATIONALE

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Priority Area 36: Human Settlement and Property Development	To meet the quality housing needs of residents in the municipal area of jurisdiction and minimize the spread of informal settlements.	Conduct inspections in all built environment within ELM in terms of NHBRC and NBR standards.	% of building inspections that comply with National Building Regulations and Standards Act by 30 June 2017	1000 Inspections done	525 inspections conducted by 30 June 2016.	1000 Inspections done	100% of buildings inspected that comply with National Building Regulations and Standards Act by 30 June 2017	83% of buildings inspected complied with National Building Regulations and Standards Act by 30 June 2017  <b>Not Achieved</b>	Budget vote:	-	A % of the building plans was not compliant	Issue non-compliance for those not complying.	Inspection Sheets
Priority Area 36: Human Settlement and Property	To meet the quality housing needs of residents in the	Lobby department of Human	Number of reports submitted to Council	Sakhelwe 110 houses & 104	166 RDP units to be built within	Sakhelwe 110 houses & 104 Siyathuth	1 reports submitted to	3 reports were submitted to council	-	-	None	None	Council resolutions

Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
Development	municipal area of jurisdiction and minimize the spread of informal settlements.	Settlement to allocate housing unit to address the housing backlogs at Emakhazeni	regarding the new RDP Housing units provided by the PDoHS by 30 June 2017	Siyathuthuka	ELM area of jurisdiction	uka	Council regarding the new RDP Housing units provided by the PDoHS by 30 June 2017	regarding the new RDP Housing units provided by the PDoHS by 30 June 2017  <b>Achieved</b>					
Priority Area 36: Human Settlement and Property Development	To facilitate and direct growth within the MP314 area of jurisdiction	Assessment of building plans	% of new registered building plan applications submitted and approved within agreed timeframes of 28	90 Building plans received and assessed	119 Building plans received and achieved by 30 June 2016	90 Building plans received and assessed	100% of new registered building plan applications submitted and approved within agreed	100% of new registered building plan applications were submitted and approved within agreed timeframes	-	-	None	None	Building Plan applications

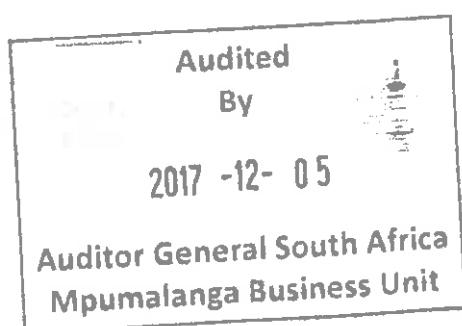


Strategic Priority Area	Strategic Objective	Strategy	KPI	2015/16 Annual Target	2015/16 Actual Performance	2015/16 Baseline	2016/17 Annual Target	2016/17 Actual Performance	Budget Allocated	Budget Spent	Reason for Deviation	Corrective Action	Evidence
			days by 30 June 2017				timeframes of 28 days by 30 June 2017	Achieved					
Priority Area 36: Human Settlement and Property Development	To set out a basic guidelines for land use management system within the municipality	Conduct inspections in all built environment within ELM in terms of NHBRC and NBR standards.	% of building contraventions attended (submitted for legal action) within 6 weeks from detection by 30 June 2017.	New SPLUMA act being implemented	4 contravention notices issued	New SPLUMA act being implemented	100% of building contraventions attended (submitted for legal action) within 6 weeks from detection by 30 June 2017.	100% of building contraventions were attended (submitted for legal action) within 6 weeks from detection by 30 June 2017. Achieved	-	-	None	None	Sub-divisional diagrams & approval letters

# VOLUME II

## AUDITED FINANCIAL STATEMENTS

**EMAKHAZENI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017**



**EMAKHAZENI LOCAL MUNICIPALITY**  
**INDEX TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

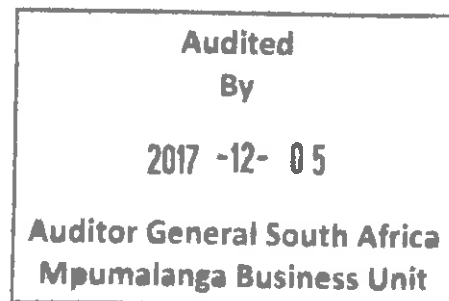
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**Audited**  
**By**  
**2017 -12- 05**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**GENERAL INFO**

<b>Legal form of entity</b>	Local Municipality
<b>Municipal demarcation code</b>	MP314
<b>Council</b>	
<b>Executive Mayor</b>	Mr. T.D. Ngwenya
<b>Speaker</b>	Ms. N.A. Mashele
<b>Chief Whip</b>	Mr. N.T. Masha
<b>Mayoral Committee members</b>	Mr. M. Kambula (Chairperson Section 80 Technical & Community Services) Ms. T.E. Sheffers (Chairperson Section 80 Corporate Services) Ms. S.S. Mthimunya (Chairperson Section 80 Finance and Economic Affairs)
<b>Members of Council - New</b>	Ms. T.C. Ngomane (Member - Proportional)
<b>New council was appointed on the 13 August 2017</b>	Ms. M.P. Ntuli (Member - Proportional) Ms. X.D. Masina (Member - Proportional) Ms. A.A. Botha (Member - Proportional) Ms. S.S. Tshabalala (Member - Proportional) Ms. N.T. Masha (Member - Proportional) Ms. D.M. Sheffers (Member - Proportional) Ms. S.I. Skhosana (Member - Proportional) Ms. R. Ndlovu (Member - Proportional) Ms. A.N. Makua (Deceased 19/03/2017) (Member - Proportional) Mr. J.M. Ndlovu (Contract ended 24/11/2016) (Member - Proportional) Ms. T.J. Duma (Elected 29/06/2017) (Member - Proportional)
<b>Members of Council - Outgoing</b>	Mr. X.S. Ngwenya (Executive Mayor)
<b>Old council was replaced on the 13 August 2017</b>	Ms. M. Kambula (Speaker) Mr. S.M. Mondlane (Chief Whip) Mr. M.U. Hadebe (Mayoral Committee Member) Ms. N.A. Mashele (Mayoral Committee Member) Ms. E.S. Radebe (Mayoral Committee Member) Mrs. A.A. Botha (Member - Proportional) Mrs. S.P. Gwebu (Member - Proportional) Mr. R.B. Mashele (Member - Proportional) Mr. C.V. Lello (Member - Proportional) Ms. B.S. Mabuza (Member - Proportional) Mr. X.D. Masina (Member - Proportional) Ms. M.P. Ntuli (Member - Proportional) Mr. J.J. Stevens (Member - Proportional) Ms. C.N. Nkosi (Member - Proportional)
<b>Grading of local authority</b>	Emakhazeni is a Grade Two Local Authority
<b>Chief Financial Officer (CFO)</b>	Mrs. M.M. Ngwenya
<b>Accounting officer</b>	Mrs. E.K. Tshabalala
<b>Registered Officer</b>	Municipal Buildings 25 Scheepers Street Belfast 1100
<b>Contact Detail:</b>	Tel: (013) 253 7600 E-mail: municipality@emakhazenilm.co.za
<b>Postal address:</b>	P.O. Box 17 Belfast 1100
<b>Auditors</b>	Auditor General of SA
<b>Capacity of local authority</b>	Local Municipality
<b>Attorneys</b>	Ntuli Noble Inc Nomaswazi Shabangu Attorneys T.C. Rampatla Inc B.V. Mbungela Attorneys
<b>Bankers</b>	First National Bank Branch Code: 270351 Account Number: 62028195510



# Emakhazeni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Audit Committee's Report

### ANNUAL REPORT OF THE AUDIT COMMITTEE FOR 2016/2017 FINANCIAL YEAR

We are pleased to submit the Annual Report of the Audit Committee for the year ended 30 June 2017

#### BACKGROUND

Emakhazeni Local Municipality is part of the Nkangala shared Audit committee. The Audit Committee was established in terms of Section 166 of the Municipal Finance Management Act (MFMA), (Act No.56 of 2003). The Audit Committee has adopted its written terms of reference.

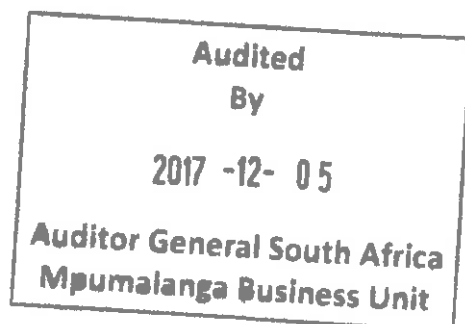
#### Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee. The Audit Committee is an independent advisory body that advises council, political office bearers, accounting officer, and the staff of the municipality on the following:

- Internal financial control and internal audit;
- Risk Management
- Accounting policies
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance;
- Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;
- Performance evaluation;
- Any other issues referred to by the municipality;
- Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA, etc
- Respond to council on any matter raised by the Auditor-General (AGSA); and
- Carry out such investigation into financial of the municipality as may be prescribed from time to time.

#### ATTENDANCE OF MEETINGS

Name of member	Ordinary meetings	Special meetings	Total	Attendance in total	
Mr M.A mapheto (Chairperson)	2	1	6	3	-
Mr. VK Chuene	4	2	6	6	-
Mr. L Langalibalele	4	1	6	5	-
Mr. M Mathabathe	4	1	6	5	-
Advocate Thubakgale L	3	1	6	4	-



## Emakhazeni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

The following although not members of the Audit committee, have standing invitation to Audit Committee meetings:

- (i) The Accounting Officer
- (ii) The Chief Financial Officer
- (iii) The Section 56 Managers/ Departmental Heads
- (iv) The Auditor-General
- (v) The National Treasury
- (vi) Mpumalanga Provincial Treasury
- (vii) Mpumalanga Department of Cooperative Governance
- (viii) South African Local Government Association (SALGA)
- (ix) Internal Audit (Secretariat function)

### INTERNAL AUDIT

The Internal Audit of Emakhazeni Local Municipality is in-house and has discharge its mandate in terms of its Charter.

The following documents were reviewed by the Audit Committee and recommended to Council for approval

- Internal Audit Charter 2016/2017
- Internal Audit Methodology 2016/2017
- Three-year rolling Strategic and Annual Audit Plan

The internal Audit function is receiving support from Nkangala District municipality.

### EFFECTIVENESS OF INTERNAL CONTROLS

The Audit committee is concerned about the staff in the Internal Audit Unit, as Internal Audit Unit has only two staff members; management is requested to employ more staff members in order to improve capacity in the Internal Audit Unit.

The Internal Audit Unit is receiving support from Nkangala District Municipality on some of the projects that undertaken by the municipality.

The Internal Audit managed to conclude all projects as per audit plan.

The following matters were raised by the Audit committee and management has put in strategies to address the Audit Committee concerns amongst matters that were raised are as follows:

- Outstanding Eskom account
- Increase in outstanding debtors
- Cascading of performance to all posts levels within the municipality
- Increase in distribution losses in both electricity and water

The following Internal audit reports are among others that were presented to the audit Committee

- Audit of quarterly performance information;
- Expenditure Management;
- Supply Chain Management; and
- Integrated Development Plan
- ICT

There has been an improvement by management in responding to internal audit reports and that can be attributed to appointment of the Municipal Manager.

Audit Committee has also urged management to fill all strategic positions and to draw up action plan to address issues raised by the Auditor-General in the management letters and audit report and this plan is a standing item in the AC meeting

### RISK MANAGEMENT

The municipality has a Risk Management Unit that consist of one member that is a concern for the Audit committee regarding the effectiveness of the Risk Management Unit and the Risk Chairperson has been appointed and four (4) meetings were held for the year under review.

The Audit committee advises management to employ more staff in the unit.

The following policies have been reviewed

- Risk management strategy
- Risk management policy
- Whistle blowing policy
- Fraud prevention plan and fraud prevention policy.

### PERFORMANCE MANAGEMENT

The Audit committee has reviewed the Annual Performance Information Report in the meeting held on the 29 August 2017.

### YEAR-END REPORTING

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Mpumalanga Business Unit

## **Emakhazeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

The Audit Committee has reviewed the Annual Performance Information Report before submitted to the Auditor-General and management was advised to effect the necessary changes before submission to the Auditor -General. However, the quality of the quarterly reports submitted by management during the year under review has improved however there is still room for improvement.

### **EVALUATION OF ANNUAL FINANCIAL STATEMENTS**

The Audit committee, on its meeting held on the 30 August 2017 to discuss the Draft Annual Financial statements with the Accounting Officer, before submitting to the Auditor General. The Audit committee wishes to indicate that it performed a review on the Annual Financial Statements focusing among others:

- Significant financial reporting judgments and estimates contained in the Annual Financial Statements.
- Clarity and completeness of disclosures has been set properly
- Quality and acceptability of and any changes in accounting policies and practice.
- Compliance with GRAP standards
- Significant adjustments arising from the audit
- Reasons for major year to year fluctuations

#### **The Audit committee has:**

- Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.
- Reviewed the Auditor General Management report and management response thereof.
- Reviewed the municipality compliance with legal and regulatory provisions and;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

### **CONCLUSION**

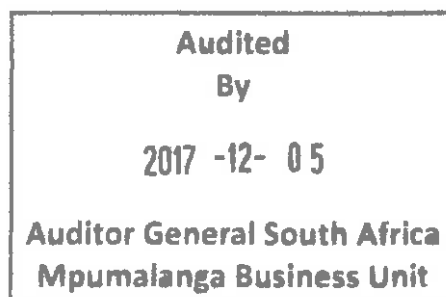
The Audit committee acknowledges the co-operation and assistance by the Emakhazeni Local Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Executive Mayor, Accounting Officer and Management of Emakhazeni Local Municipality in strengthening Corporate Governance and working towards a clean audit goal.

A special thanks to the current Senior Internal Auditor, Ms D Ntshwane and her staff for the support as well Nkangala District Municipality for their support and commitment to the work of the Audit Committee.

The Audit Committee Chairperson remains confident of these matters receiving due consideration and intervention. We are committed to fully execute our oversight function and strengthening Corporate Governance.

**MR AM MMAPHETO**

CHAIRPERSON OF THE AUDIT COMMITTEE





# Emakhazeni Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Accounting Officer's Report

---

The accounting officer submits her report for the year ended 30 June 2017.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in local municipality and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net surplus of the municipality was R (2016: surplus R).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and National Treasury guidelines.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Tshabalala EK	South African

### 6. Bankers

The municipality banks primarily with FNB Bank Limited.

### 7. Auditors

Auditor General South Africa will continue in office for the next financial period.

### 8. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement text.

During the financial period under reviewed 30 June 2017, Emakhazeni Local Municipality did not enter into any Public Private Partnership agreements.

### 9. Consumer debtors

The book value of consumer debtors is standing at R as of 30 June 2017. The above figure is determined after an amount of R in respect of allowance for impairment has been taken into account.

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<b>Audited By</b>
<b>2017 - (y) 05</b>
<b>Auditor General South Africa Mpumalanga Business Unit</b>

## **Emakhazeni Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Responsibilities & Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

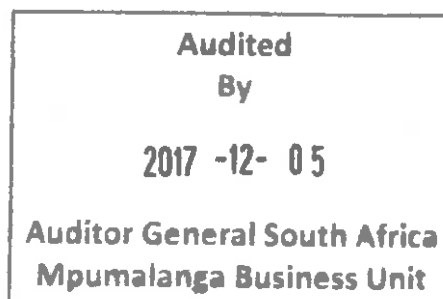
She would also like to bring to attention that chief financial officer's extended contract has been terminated.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements of Emakhazeni local municipality set out on page, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

---

**Mrs EK Tshabalala**  
**Accounting Officer**  
Belfast (31 August 2017)



**EMAKHAZENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Emakhazeni Local Municipality at 30 June 2017.

The standards and pronouncements that form the GRAP Reporting Framework for the 2016/17 financial period is set out in Directive 5 issued by the ASB".

The Statement of Financial Position at 30 June 2017 indicates an increase in Net Assets, and a decrease in Non-current Liabilities and an increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the decreases in provision for landfill sites. The increase in Current Liabilities is primarily as a result of the increase in VAT.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

**2.1 Financial Statement Ratios:**

INDICATOR	2017	2016
Surplus / (Deficit) before Appropriations	(13 911 870)	(27 224 156)
Surplus / (Deficit) at the end of the Year	870 738 213	884 650 083
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	32,34%	25,50%
Remuneration of Councillors	2,05%	1,95%
Depreciation and Amortisation	16,02%	16,49%
Impairment Losses	11,51%	26,06%
Repairs and Maintenance	1,24%	1,72%
Interest Paid	2,02%	1,76%
Bulk Purchases	17,47%	13,93%
General Expenses	15,31%	11,09%
Current Ratio:		
Trade Creditors Days	313	414
Debtors from Exchange Transactions Days	62	71

**2. KEY FINANCIAL INDICATORS (Continued)**

**2.2 Performance Indicators:**

INDICATOR	2017	2016
Borrowing Management:		
Capital Charges to Operating Expenditure	2,02%	1,76%
Capital Charges to Own Revenue	3,62%	3,89%
Borrowing to Total Capital Assets	0,00%	0,00%
Safety of Capital:		
Gearing	0,00%	0,00%
Liquidity:		

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Current Ratio	0,35	0,33
Liquidity Ratio	0,06	0,07
<b>Capital Expenditure Management:</b>		
Capital Expenditure on Infrastructure to Total Capital Expenditure	50,35%	2,78%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0,00%	0,00%
<b>Revenue Management:</b>		
Current Debtors Collection Rate	92,51%	148,37%
Outstanding Debtors to Revenue	23,26%	18,94%
<b>Creditors Management:</b>		
Creditors to Cash and Investments	1668,47%	1264,54%
<b>Financial Viability:</b>		
Debt Coverage	235,44	229,53
Outstanding Service Debtors to Revenue	28,66%	29,67%
Cost Coverage	0,04	0,04

For detailed ratio analysis and explanation regarding these refer to appendix H attached.

### 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Emakhazeni Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2017 are as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	884 650 083	897 060 913	(1,38)	-	100,00
Operating income for the year	261 670 384	235 494 647	11,12	270 051 815	(3,10)
Appropriations for the year	-	-	-	-	-
	1 146 320 467	1 132 555 560	1,22	270 051 815	324,48
<b>Expenditure:</b>					
Operating expenditure for the year	270 935 517	276 992 780	(2,19)	264 000 943	2,63
Closing surplus / (deficit)	870 738 213	884 650 083	(1,57)	6 050 872	14 290,29
	1 141 673 730	1 161 642 863	(1,72)	270 051 815	322,76

### 3. OPERATING RESULTS (Continued)

#### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	180 721 316	46 988 484	284,61	168 626 156	7,17
Expenditure	208 172 789	62 465 010	233,26	200 298 327	3,93
Surplus / (Deficit)	(27 451 473)	(15 476 526)	77,37	(31 672 171)	(13,33)
Surplus / (Deficit) as % of total income	(15,19)%	(32,94)%		(18,78)%	

Variance from 2015/16 actual:

The 284,61% increase on last year's actual revenue is primarily as a result of the Flood Disaster Grant being included in revenue. The 233,26% increase on last year's actual expenditure is primarily as a result of the Flood Disaster Grant expenditure.

Variance from 2016/17 budget:

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The -7,17% decrease on the reporting years budget is primarily as a result of grants not budgeted for, being received. The -3,93% decrease on last year's actual expenditure is primarily as a result of grants being spent, which were not budgeted for.

#### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R57 407 301 (2015/16: R32 452 181). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R57 407 301 was financed as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
External Loans	-	-	-	-	-
Grants and Subsidies	63 779 809	72 164 861	(11,62)	70 060 000	(8,96)
Public Contributions	21 792 000	37 992 149	(42,64)	21 986 889	(0,89)
Own Funds (Accumulated Surplus)	798 874	869 836 757	(99,91)	678 627 850	(99,88)
	86 370 683	979 993 767	(91,19)	770 674 739	(88,79)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2017	2016
External Loans	-	-
Grants and Subsidies	73,84%	7,36%
Public Contributions	25,23%	3,88%
Own Funds (Accumulated Surplus)	0,92%	88,76%
	100,00%	100,00%

#### 5. RECONCILIATION OF BUDGET TO ACTUAL

##### 5.1 Operating Budget:

DETAILS	2017	2016
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	6 050 872	(22 113 858)
Revenue variances	(8 381 431)	15 592 679
Expenditure variances:		
Employee Related Costs	(1 062 509)	9 741 026
Remuneration of Councillors	182 867	54 046
Collection Costs	-	-
Depreciation and Amortisation	831 092	(3 219 588)
Impairment Losses	(21 189 431)	(62 197 474)
Repairs and Maintenance	3 241 332	2 648 349
Interest Paid	(1 772 602)	(1 826 687)
Bulk Purchases	2 360 184	7 498 158
Contracted Services	1 129 143	454 144
Grants and Subsidies Paid	(4 646 737)	14 844 049
General Expenses	10 757 590	11 315 000
Loss on disposal of Property, Plant and Equipment	(1 412 240)	(14 000)
Actual surplus before appropriations	(13 911 870)	(27 224 156)
	(0)	

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DETAILS  
Auditor General South Africa  
Mpumalanga Business Unit

2017

2016

<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	6 050 872	(22 113 858)
Executive and Council	-	-
Finance and Administration	(15 316 005)	(19 954 347)
Community and Social Services	-	-
Technical Services	-	(4 584 836)
Actual surplus before appropriations	(9 265 133)	(46 653 041)
	4 646 737	(19 428 885,00)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

## 5.2 Capital Budget:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Variance actual 2016/17 / 2015/16 R	Budgeted 2016/17 R	Variance actual/ budgeted R
Executive and Council	20 488	661 384	(640 896)		20 488
Finance and Administration	581 923	333 936	247 988	100 000	481 923
Community and Social Services	291 353	59 670	231 683	5 000 000	(4 708 647)
Technical Services	58 452 423	49 374 047	9 078 376	41 741 000	16 711 423
	59 346 188	50 429 037	8 917 151	46 841 000	12 505 188

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R870 738 213 (2016: R884 650 083) and is made up as follows:

Capital Replacement Reserve	
Accumulated Surplus	870 738 213
	<u>870 738 213</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

## 7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2017 was R0 (2016: R0).

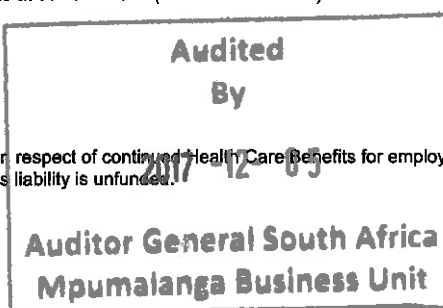
Refer to Note N/A and Appendix "A" for more detail.

## 8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R12 416 000 as at 30 June 2017 (2016: R13 223 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	8 729 000
Provision for Long Service Awards	3 687 000
	<u>12 416 000</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.



The Long Service liability is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. This liability is unfunded.

Refer to Note 18 for more detail.

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R23 901 199 as at 30 June 2017 (2016: R21 430 171) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	23 901 199
	<u>23 901 199</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R144 192 907 as at 30 June 2017 (2016: R129 240 028) and is made up as follows:

Consumer Deposits	Note 11	1 758 834
Provisions	Note 12	2 964 113
Payables	Note 13	134 648 607
Unspent Conditional Grants and Receipts	Note 15	-
VAT Payable	Note 16	4 821 353
Current Portion of Long-term Liabilities	Note N/A	-
		<u>144 192 907</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R794 380 178 as at 30 June 2017 (2016: R792 199 097).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R681 353 as at 30 June 2017 (2016: R825 755).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

## 13. INVESTMENT PROPERTY

The net value of Investment Properties were R195 036 184 as at 30 June 2017 (2016: R195 036 184).

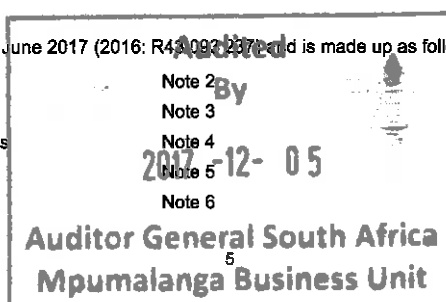
Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 9 and Appendix "B" for more detail.

## 14. CURRENT ASSETS

Current Assets amounted R50 894 888 as at 30 June 2017 (2016: R43 092 237) and is made up as follows:

Inventories	Note 2	2 414 380
Receivables from Exchange Transactions	Note 3	23 526 963
Receivables from Non-exchange Transactions	Note 4	16 742 872
Cash and Cash Equivalents	Note 5	8 070 190
Operating Lease Assets	Note 6	140 483
		<u>50 894 888</u>



The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

#### **15. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

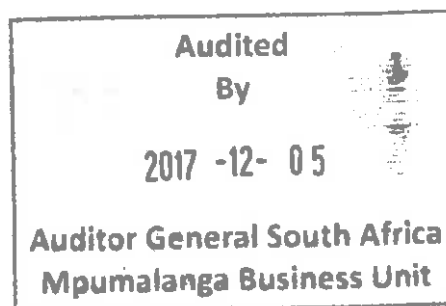
#### **16. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

31 August 2017





**EMAKHAZENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

			Actual
	Note	2017 R	2016 - Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>50 894 888</b>	<b>43 093 237</b>
Inventories	2	2 414 380	2 740 970
Receivables from Exchange Transactions	3	23 526 963	20 173 284
Receivables from Non-exchange Transactions	4	16 742 872	10 755 110
Cash and Cash Equivalents	5	8 070 190	9 306 238
Operating Lease Receivables	6	140 483	117 635
<b>Non-Current Assets</b>		<b>1 000 353 431</b>	<b>998 316 752</b>
Property, Plant and Equipment	7	794 380 178	792 199 097
Intangible Assets	8	681 353	825 755
Investment Property	9	195 036 184	195 036 184
Heritage Assets	10	10 255 716	10 255 716
<b>Total Assets</b>		<b>1 051 248 319</b>	<b>1 041 409 989</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>144 192 907</b>	<b>129 240 028</b>
Consumer Deposits	11	1 758 834	1 703 064
Provisions	12	2 964 113	3 132 204
Payables from Exchange Transactions	13	134 648 607	117 681 205
Payables from Non-exchange Transactions	14	-	2 314 236
Unspent Conditional Grants and Receipts	15	-	966 067
VAT Payable	16	4 821 353	3 443 252
<b>Non-Current Liabilities</b>		<b>36 317 199</b>	<b>34 653 171</b>
Employee Benefit Liability	18	12 416 000	13 223 000
Non-current Provisions	19	23 901 199	21 430 171
<b>Total Liabilities</b>		<b>180 510 106</b>	<b>163 893 199</b>
<b>Total Assets and Liabilities</b>		<b>870 738 213</b>	<b>877 516 790</b>
<b>NET ASSETS</b>		<b>870 738 213</b>	<b>884 650 083</b>
Accumulated Surplus	20	870 738 213	884 650 083
<b>Total Net Assets</b>		<b>870 738 213</b>	<b>884 650 083</b>

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**EMAKHAZENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

		Actual	
	Note	2017 R	2016 - Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	21	53 459 890	29 065 057
Fines		9 127 538	16 608 550
Licences and Permits		1 450	6 950
Government Grants and Subsidies	22	88 535 067	72 164 861
Donations	23	21 792 000	37 992 149
<b>Revenue from Exchange Transactions</b>			
Service Charges	24	86 022 235	74 237 965
Rental of Facilities and Equipment	25	1 041 770	952 705
Interest Earned - External Investments	26	642 809	546 059
Agency services		-	2 119 545
Fees earned		873 354	773 629
Commissions received		6 990	5 326
Other Revenue	27	167 281	1 021 851
<b>Total Revenue</b>		<b>261 670 384</b>	<b>235 494 647</b>
<b>EXPENDITURE</b>			
Employee Related Costs	28	87 617 048	70 631 828
Remuneration of Councillors	29	5 560 353	5 387 520
Depreciation and Amortisation	30	43 411 908	45 679 588
Impairment Losses	31	31 189 431	72 197 474
Repairs and Maintenance	35.2	3 355 575	4 752 098
Finance Costs	32	5 472 602	4 881 687
Bulk Purchases	33	47 336 635	38 577 142
Contracted Services	34	4 096 017	4 180 356
General Expenses	35	41 483 708	30 705 087
Property, Plant and Equipment written off		1 412 240	-
<b>Total Expenditure</b>		<b>270 935 517</b>	<b>276 992 780</b>
<b>Operating loss</b>		<b>(9 265 133)</b>	<b>(41 498 133)</b>
Gain/(loss) on landfill valuation		(2 470 226)	13 987 977
Gain/(loss) on actuarial valuation		(2 173 000)	293 000
Loss of cash due to theft		(3 511)	(7 000)
<b>DEFICIT FOR THE YEAR</b>		<b>(13 911 870)</b>	<b>(27 224 156)</b>

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**EMAKHAZENI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Accumulated Surplus / (Deficit) Account		Total
	Accumulated Surplus / (Deficit)		
	R	R	
<b>2016</b>			
Balance at 2015	897 060 913	897 060 913	
Correction of Error (Note 36)	14 813 326	14 813 326	
<b>Restated Balance</b>	<b>911 874 239</b>	<b>911 874 239</b>	
Deficit for the year	(27 224 156)	(27 224 156)	
<b>Balance at 2016</b>	<b>884 650 083</b>	<b>884 650 083</b>	
<b>2017</b>			
<b>Restated Balance</b>	<b>884 650 083</b>	<b>884 650 083</b>	
Deficit for the year	(13 911 870)	(13 911 870)	
<b>Balance at 30 June 2017</b>	<b>870 738 213</b>	<b>870 738 213</b>	

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**EMAKHAZENI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 R	Actual 2016 - Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		46 259 604	29 065 057
Government Grant and Subsidies		88 535 067	72 164 861
License and permits		1 450	-
Service Charges		82 771 955	124 203 766
Commission received		6 990	-
Fees earned		873 354	-
Fines		9 127 538	-
Rental of facilities and equipment		901 287	-
Interest Received		642 809	546 059
Other Revenue		167 281	-
<b>Payments</b>			
Employee Related Costs		(87 617 048)	(70 631 828)
Remuneration of Councillors		(5 560 353)	(5 387 520)
Interest Paid		(5 472 602)	(4 881 687)
Suppliers Paid		(99 212 711)	(102 451 296)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>38</b>	<b>31 424 621</b>	<b>42 627 412</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(32 660 669)	(39 383 186)
Purchase of Intangible Assets		-	(574 349)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(32 660 669)</b>	<b>(39 957 535)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5</b>	<b>(1 236 048)</b>	<b>2 669 877</b>
Cash and Cash Equivalents at Beginning of Period		9 306 238	6 636 361
Cash and Cash Equivalents at End of Period		8 070 190	9 306 238

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# **EMAKHAZENI LOCAL MUNICIPALITY** **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

30 June 2017

Description	2016/2017							Ref	
	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget	Final Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget R		Actual Outcome as % of Original Budget R
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	9 238 283,00	-	8 952 563	8 952 563	2 414 380	(6 538 183)	26,97	26,13	1
Receivables from Exchange Transactions	241 290 745	55 682 480	296 973 225	296 973 225	23 526 963	(273 446 262)	7,92	9,75	
Receivables from Non-exchange Transactions	-	568 530	568 530	568 530	16 742 872	16 174 342	2 944,94	0,00	
Cash and Cash Equivalents	289 815	75 839	365 654	365 654	8 070 190	7 704 536	2 207,06	2 784,60	2
Operating Lease Receivables	-	-	-	-	140 483	140 483	0,00	0,00	
<b>Non-Current Assets</b>									
Property, Plant and Equipment	1 422 514 829	32 750 820	1 455 265 649	1 455 265 649	794 380 178	(660 885 471)	54,59	55,84	3
Intangible Assets	794 197	560 000	1 354 197	1 354 197	681 353	(672 844)	50,31	85,79	4
Investment Property	76 280 537	-	76 280 537	76 280 537	195 036 184	118 755 647	255,68	255,68	5
Heritage Assets	10 255 716	-	-	10 255 716	10 255 716	-	100,00	100,00	
<b>Total Assets</b>	1 760 664 122	89 351 949	1 839 760 355	1 850 016 071	1 051 248 319	(798 767 752)	56,82	59,71	
<b>Current Liabilities</b>									
Consumer Deposits	470 370	1 212 627	1 682 997	1 682 997	1 758 834	75 837	104,51	373,93	
Provisions	4 276 888	-	4 276 888	4 276 888	2 964 113	(1 312 775)	69,31	69,31	10
Payables	62 476 420	54 841 900	117 318 320	117 318 320	134 648 607	17 330 287	114,77	215,52	6 and 7
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	0,00	0,00	8
VAT Payable	6 893 543	(2 022 180)	4 871 363	4 871 363	4 821 353	(50 010)	98,97	69,94	9
<b>Non-Current Liabilities</b>									
Long-term Liabilities	2 857 390	(1 577 993)	1 279 397	1 279 397	-	(1 279 397)	0,00	0,00	
Employee Benefit Liability	15 900 000	422 820	16 322 820	16 322 820	12 416 000	(3 906 820)	76,07	78,09	
Non-current Provisions	41 023 000	380 415	41 403 415	41 403 415	23 901 199	(17 502 216)	57,73	58,26	11
<b>Total Liabilities</b>	133 897 611	53 257 589	187 155 200	187 155 200	180 510 106	(6 645 094)	96,45	134,81	
<b>Total Assets and Liabilities</b>	1 626 766 511	36 094 360	1 652 605 155	1 662 860 871	870 738 213	(792 122 658)	52,36	53,53	
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	1 626 766 511	36 094 360	1 662 860 871	1 662 860 871	870 738 213	(792 122 659)	52,36	53,53	12
<b>Total Net Assets</b>	1 626 766 511	36 094 360	1 662 860 871	1 662 860 871	870 738 213	(792 122 659)	52,36	53,53	

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Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Final Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R	Ref
<b>FINANCIAL PERFORMANCE</b>									
Revenue from Non-exchange Transactions									
Property Rates	40 071 122	-	40 071 122	40 071 122	53 459 890	13 388 768	133,41	133,41	5
Fines	13 068 540	(3 000 000)	10 068 540	10 068 540	9 127 538	(941 002)	90,65	69,84	
Licences and Permits	7 992	(2 268)	5 724	5 724	1 450	(4 274)	25,33	18,14	
Income for Agency Services	-	-	-	-	-	-	0,00	0,00	
Government Grants and Subsidies Received	1 335 900	(21 099 000)	(19 763 100)	(19 763 100)	53 914 067	73 677 167	0,00	4 035,79	6
Public Contributions and Donations	45 133 800	-	45 133 800	45 133 800	21 792 000	(23 341 800)	0,00	48,28	
<b>Revenue from Exchange Transactions</b>									
Service Charges	81 520 865	-	81 520 865	81 520 865	86 022 235	4 501 370	105,52	105,52	1
Rental of Facilities and Equipment	1 077 516	-	1 077 516	1 077 516	1 041 770	(35 746)	96,68	96,68	
Interest Earned - External Investments	351 000	150 000	501 000	501 000	642 809	141 809	128,31	183,14	4
Interest Earned - Outstanding Debtors	3 907 058	(3 907 058)	-	-	-	-	0,00	0,00	
Fees earned	-	-	-	-	873 354	873 354	0,00	0,00	2
Royalties Received	5 724	-	5 724	5 724	6 990	1 266	122,12	122,12	
Other Income	30 475 438	3 009 886	33 485 324	33 485 324	167 281	(33 318 043)	0,50	0,55	3
<b>Total Revenue</b>	<b>216 954 955</b>	<b>(24 848 440)</b>	<b>192 106 515</b>	<b>192 106 515</b>	<b>227 049 384</b>	<b>34 942 869</b>	<b>118,19</b>	<b>104,65</b>	
<b>Expenditure</b>									
Employee Related Costs	85 181 539	1 373 000	86 554 539	86 554 539	87 617 048	1 062 509	101,23	102,86	
Remuneration of Councillors	5 743 220	-	5 743 220	5 743 220	5 560 353	(182 867)	96,82	96,82	
Depreciation and Amortisation	44 243 000	-	44 243 000	44 243 000	43 411 908	(831 092)	98,12	98,12	7
Impairment Losses	10 000 000	-	10 000 000	10 000 000	31 189 431	21 189 431	311,89	311,89	
Repairs and Maintenance	6 588 295	8 612	6 596 907	6 596 907	3 355 575	(3 241 332)	50,87	50,93	9
Finance Costs	3 700 000	-	3 700 000	3 700 000	5 472 602	1 772 602	147,91	147,91	8
Bulk Purchases	49 696 819	-	49 696 819	49 696 819	47 336 635	(2 360 184)	95,25	95,25	10
Contracted Services	5 285 160	(60 000)	5 225 160	5 225 160	4 096 017	(1 129 143)	78,39	77,50	
Grants and Subsidies Paid	-	-	-	-	-	-	0,00	0,00	
Research and Development Costs	-	-	-	-	-	-	0,00	0,00	
General Expenses	50 443 310	1 797 988	52 241 298	52 241 298	41 483 708	(10 757 590)	79,41	82,24	11
Other Losses on Continued Operations	-	-	-	-	-	-	0,00	0,00	
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1 412 240	1 412 240	0,00	0,00	12
<b>Total Expenditure</b>	<b>260 881 343</b>	<b>3 119 600</b>	<b>264 000 943</b>	<b>264 000 943</b>	<b>270 935 517</b>	<b>6 934 574</b>	<b>102,63</b>	<b>103,85</b>	
<b>Surplus/(Deficit)</b>	<b>(43 926 388)</b>	<b>(27 968 040)</b>	<b>(71 894 428)</b>	<b>(71 894 428)</b>	<b>(43 886 133)</b>	<b>28 008 295</b>	<b>61,04</b>	<b>99,91</b>	
Transfers Recognised - Capital	55 563 300	22 382 000	77 945 300	77 945 300	34 621 000	(43 324 300)	44,42	62,31	
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>11 636 912</b>	<b>(5 586 040)</b>	<b>6 050 872</b>	<b>6 050 872</b>	<b>(9 265 133)</b>	<b>(15 316 005)</b>	<b>0,00</b>	<b>0,00</b>	
<b>Surplus/(Deficit) for the Year</b>	<b>11 636 912</b>	<b>(5 586 040)</b>	<b>6 050 872</b>	<b>6 050 872</b>	<b>(9 265 133)</b>	<b>(15 316 005)</b>	<b>-</b>	<b>-</b>	


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Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget	Final Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R	Ref
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
Executive and Council	-	-	-	-	-	-	0.00	0.00	
Finance and Administration	1 710 000	(1 476 261)	233 739	233 739	93 699 090	93 465 351	40 087.06	5 479.48	
Community and Social Services	-	-	-	-	-	-	0.00	0.00	
Technical Services	55 563 300	22 382 000	77 945 300	77 945 300	-	(77 945 300)	0.00	0.00	
<b>Total Sources of Capital Funds</b>	<b>57 273 300</b>	<b>20 905 739</b>	<b>78 179 039</b>	<b>78 179 039</b>	<b>93 699 090</b>	<b>15 520 051</b>	<b>119.85</b>	<b>163.60</b>	
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Property Rates	34 493 000	(34 493 000)	-	-	46 259 604	46 259 604	0.00	134.11	1
Grants	102 033 000	(102 033 000)	-	-	88 535 067	88 535 067	0.00	86.77	2
Service Charges	72 120 000	(72 120 000)	-	-	82 771 955	82 771 955	0.00	114.77	3
Interest Received	4 258 000	(4 258 000)	-	-	642 809	642 809	0.00	15.10	
Other Receipts	15 017 000	(15 017 000)	-	-	167 281	167 281	0.00	1.11	
Employee Related Costs	-	-	-	-	(87 617 048)	(87 617 048)	0.00	0.00	
Remuneration of Councillors	-	-	-	-	(5 560 353)	(5 560 353)	0.00	0.00	5
Interest Paid	(3 700 000)	3 700 000	-	-	(5 472 602)	(5 472 602)	0.00	147.91	4
Suppliers Paid	(195 635 000)	103 459 082	(92 175 918)	(92 175 918)	(99 212 711)	(7 036 793)	107.63	50.71	
Other Payments	-	-	-	-	-	-	0.00	0.00	
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(46 389 000)	46 389 000	-	-	(32 660 669)	(32 660 669)	0.00	70.41	6
Purchase of Intangible Assets	-	-	-	-	-	-	0.00	0.00	7
<b>Cash Flows from/(used in) Financing Activities</b>									
Increase (decrease) in consumer deposits	-	-	-	-	-	-	0.00	0.00	
Loans repaid	-	-	-	-	-	-	0.00	0.00	
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(17 803 000)</b>	<b>(74 372 918)</b>	<b>(92 175 918)</b>	<b>(92 175 918)</b>	<b>(2 116 392)</b>	<b>90 059 526</b>	<b>0.00</b>	<b>0.00</b>	9
				<b>(92 175 918)</b>	<b>(880 344)</b>				

  
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Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget	Final Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R	Ref
<b>Financial Position: Explanation of Variances between Approved Budget and Actual</b> Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:									
1) Inventories									
As at 30 June 2017 Work in progress project are included with in the amount for inventories which was not anticipated.									
2) Cash and Cash Equivalents:									
An amount for retention was not budget which resulted in the actual investment being more than anticipated.									
3) Property, Plant and Equipment									
Prior error correction was done in relation to assets which results in the budget amount to be based on prior year value which resulted in the actual being more than the budget amount.									
4) Intangible Assets									
New purchase of intangible assets were done which was not anticipated which resulted in the actual exceed the budgeted amount.									
5) Investment property									
Prior error correction was done in done relation to Investment assets which results in the budget amount to be based on prior year value which resulted in the actual being more than the budget amount.									
6) Payables from exchange transactions									
The variance is due to the actual trade creditors amount that was more than was estimated to have been at year end and while no budget was provided for consumer debtors being in advance unallocated amount and deferred revenue.									
7) Payables from non-exchange transactions									
The budget amount was lower than the actual payables from non-exchange, due to no budget amount provided for pre-paid deposits at year end.									
8) Unspent conditional grants and receipts									
Emakhaseni did not anticipated to have unspent grants while at year end there was unspent grants.									
9) VAT payable									
The variance is due to the actual amount payable being lower than what was estimated, due to VAT being paid regularly while it was estimated to not being paid regularly because of the cashflow constraints.									
10) Provisions									
The total amount was budgeted under long term, which resulted that the short term portion was not budgeted separately.									
The total amount was budgeted under long term, which resulted that the short term portion was not budgeted separately.									
11) Long service awards									
The total amount was budgeted under long term, which resulted that the short term portion was not budgeted separately.									
12) Accumulated surplus									
Prior error correction was done in relation to assets which results in the budget amount to be based on prior year value which resulted in the actual being more than the budget amount.									
<b>FINANCIAL PERFORMANCE</b>									
1) Service charges									
Basic electricity charges is the major contributing factor to the variance which earned more revenue than anticipated.									
2) Fees earned									
The variance is attributable to the fact that the municipality has earned more revenue than anticipated from various sundry fees.									
3) Other income									
The major contributor to this variance is The money received.									
4) Interest from investment									
The municipality was able to invest more cash in the investment account than was anticipated, therefore more interest earned.									
5) Property Rates									
The anticipated target for billing properties was not achieved which resulted in the municipality not to earn as much revenue as anticipated.									
6) Government grants & subsidies									
An amended DORA was released in March 2016 whereby the municipality received an additional R3 million for Municipal Infrastructure Grant (MIG) which resulted the municipality to receive more grants that budgeted for.									
7) Depreciation and amortization									
With the prior year error correction on assets, it resulted in the asset register to change which resulted in the amount anticipated to be exceeded.									
8) Interest cost									
Due to cash flow circumstances the municipality is incurring interest and penalties from the creditors which is higher than anticipated.									
9) Repairs and maintenance									

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Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget	Final Budget R	Actual Outcome R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R	Ref
Due to cash flow circumstances the planned repairs and maintenance were not executed as budgeted.									
10) Bulk purchases The anticipated budget was done based on the increase approved by NERSA, while the municipality did try to contain the usage of electricity, which resulted in the actual to be lower.									
11) General expenses Due to cashflow circumstances the planned general expenses were not executed as budgeted.									
12) Gain/(loss) on disposal of assets No sale of municipal properties took place during the cause of the financial year, therefore the anticipated budget did not realise.									
<b>CASH FLOW</b>									
1) Property rates The variance is due to the implementation of the new valuation roll which did not realise as the projected revenue.									
2) Income rendering from services When the budget was done the movement in working capital was not taken into account, therefore the variance.									
3) Interest income the municipality was able to invest more cash in the investment account than was anticipated, therefore more interest was earned.									
4) Suppliers When the budget was done the movement in working capital was not taken into account, therefore the variance.									
5) Interest cost Due to cash flow circumstances The municipality is incurring interest and penalties from The creditors which is higher than anticipated.									
6) Purchase of plant and equipment Budget was based on the capital amount committed for the year.									
7) Purchase of other intangible assets No purchase was estimated at the time of the budget therefore the variance.									
8) Movement in consumer deposit Consumer deposits movement is incorporated into working capital under operating activities and therefore the variance									
9) Net increase / decrease in cash and cash equivalent Due to the cashflow circumstance of the municipality it was estimated as a decrease in cash and therefore the variance.									

  
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**EMAKHAZENI LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

**1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2016 and 30 June 2017 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

**1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS**

In the application of the municipality's accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1. 2. 1 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from non-exchange transactions*. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1. 2. 2 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

**1. BASIS OF PRESENTATION (continued)**

**1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)**

**1. 2. 3 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

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The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R27 702 098 and that of trade and other receivable from non exchange transactions to R0.

**1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property**

As described in Accounting Policies 3.3, 5 and 6 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

**1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories**

Accounting Policy 7 on *Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgments are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R0, whilst no impairments were made to intangible assets or inventory.

**1. 2. 6 Water inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

**1. 2. 7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 17 and 18 to the Annual Financial Statements.

**1. BASIS OF PRESENTATION (continued)**

**1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)**

**1. 2. 8 Provisions and contingent liabilities**

**Provision for Rehabilitation of Refuse Landfill Sites**

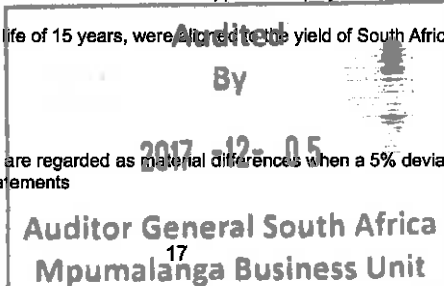
The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2016: 6%) and discounted to the present value:

a) For landfill sites with the remaining operating life of 15 years, were projected to the yield of South African Government bonds with a similar maturity date i.e. 9.74% (2016:9.74%)

**1. 2. 9 Budget information**

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

**1. 3 PRESENTATION CURRENCY**



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The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

**1. 4 GOING CONCERN ASSUMPTION**

The Annual Financial Statements have been prepared on a going concern basis.

**1. 5 OFFSETTING**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005  
GRAP 20 Related Party Disclosures (Revised)  
GRAP 32 Service Concession Arrangement Grantor  
GRAP 34 Separate Financial Statements  
GRAP 35 Consolidated Financial Statements  
GRAP 36 Investments in Associates and Joint Ventures  
GRAP 37 Joint Arrangements  
GRAP 38 Disclosure of Interests in Other Entities  
GRAP 108 Statutory Receivables  
GRAP 109 Accounting by Principals and Agents  
GRAP 110 Living and Non- Living Resources  
IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset  
IGRAP 18 Recognition and Derecognition of Land

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

**1. BASIS OF PRESENTATION (continued)**

**1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)**

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**GRAP 18 - Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

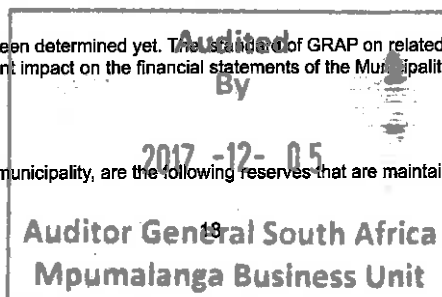
Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

**GRAP 20 – Related party disclosures**

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

**2. ACCUMULATED SURPLUS**

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:



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**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 2 Subsequent Measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**3. 3 Depreciation**

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<b>Infrastructure</b>		<b>Buildings</b>	15 - 60
Roads and Paving	10 - 60		
Electricity	15 - 60		
Water	15 - 100	<b>Other</b>	
Sewerage	5 - 60	Specialist Vehicles	5 - 7
Landfill Sites	25	Other Vehicles	5 - 7
		Office Equipment	5 - 7
		Furniture and Fittings	5 - 7
<b>Community</b>		Plant and Equipment	5 - 7
Recreational Facilities	10 - 60		

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The assets' residual values, estimated useful lives and depreciation method are reviewed when indicators exist that a change is required, and adjusted prospectively.

**3. 4 Incomplete Construction Work**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

**3. 5 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

**3. 6 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

**3. 7 Derecognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

**4. Heritage Assets**

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

**4. 1 Initial Recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**4. 2 Subsequent Measurement**

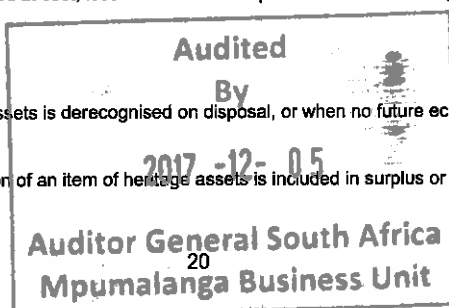
Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

**4. 3 Derecognition of Heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.



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Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

**5. INTANGIBLE ASSETS**

**5. 1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

**5. INTANGIBLE ASSETS (Continued)**

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**5. 2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

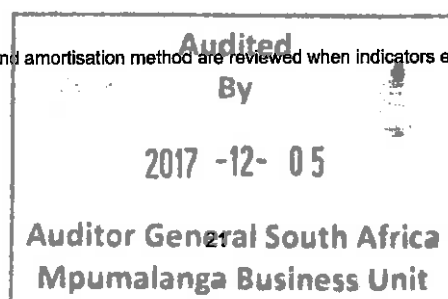
In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

<i>Intangible asset</i>	<b>Years</b>
Software	8

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed when indicators exists that a change is required, and adjusted prospectively

**5. 3 Derecognition**



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Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**6. INVESTMENT PROPERTY**

**6. 1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

**6. 2 Subsequent Measurement - Fair Value Model**

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2014). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

**6. 3 Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

**7. IMPAIRMENT OF ASSETS**

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

**7. 1. Impairment of Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

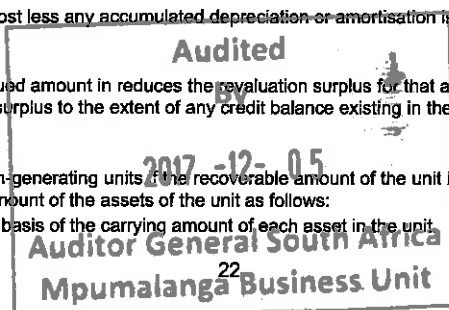
If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit





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A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**7. IMPAIRMENT OF ASSETS (continued)**

**7. 2 Impairment of Non-Cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

**7. IMPAIRMENT OF ASSETS**

**7. 2 Impairment of Non-Cash generating assets**

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**8. FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

**Initial recognition**

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair value methods and assumptions**

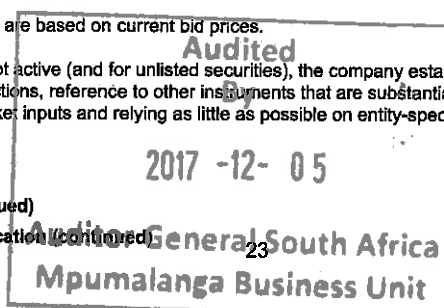
The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**8. FINANCIAL INSTRUMENTS (continued)**

**8. 1 Financial Assets - Classification (continued)**



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In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**8. FINANCIAL INSTRUMENTS (continued)**

**8. 1 Financial Assets - Classification (continued)**

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

**8. 2 Financial Liabilities - Classification**

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Other Creditors	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**8. FINANCIAL INSTRUMENTS (continued)**

**8. 3 Initial and Subsequent Measurement**

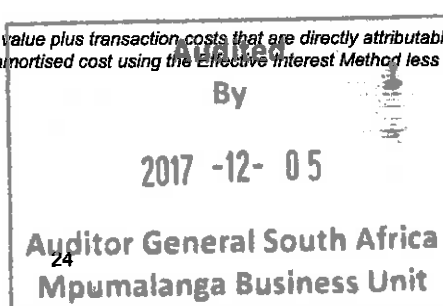
**8. 3. 1 Financial Assets:**

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest Method less any impairment, with interest recognised on an effective yield basis. .

**8. 3 Initial and Subsequent Measurement**

**8. 3. 2 Financial Liabilities:**

Financial Liabilities measured at amortised cost



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Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**8. 4 Impairment of Financial Assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

**Financial assets carried at amortised cost**

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**Impairment of Financial Assets measured at cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

**8. FINANCIAL INSTRUMENTS (continued)**

**8. 5 Derecognition of Financial Assets**

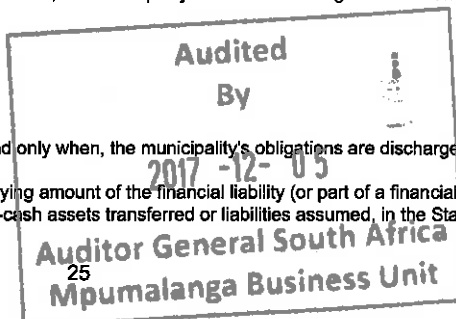
The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**8. 6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.



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**9. INVENTORIES**

**9. 1 Initial Recognition**

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**9. 2 Subsequent Measurement**

**Consumable stores, raw materials, work-in-progress and finished goods**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

**Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**Unsold properties**

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development. The municipality also have certain unsold properties for distribution at no charge.

**9. INVENTORIES (continued)**

**9. 2 Subsequent Measurement (continued)**

**Redundant and slow-moving inventories**

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**10. REVENUE RECOGNITION**

**10. 1 General**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**10. REVENUE RECOGNITION (continued)**

**10. 2 Revenue from Exchange Transactions**

**10. 2. 1 Service Charges**

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**10. 2. 2 Pre-paid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

**10. 2. 3 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

**10. 2. 4 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

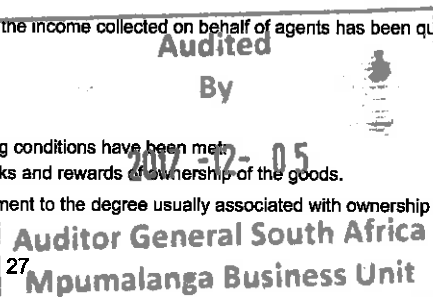
**10. 2. 5 Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

**10. 2. 6 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.



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- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**10. 2. 7 Rentals**

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**10. 2. 8 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

**10. REVENUE RECOGNITION (continued)**

**10. 3 Revenue from Non-exchange Transactions**

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**10. 3. 1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**10. 3. 2 Fines**

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised based on all fines issued for that current financial year.

**10. 3. 3 Public contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

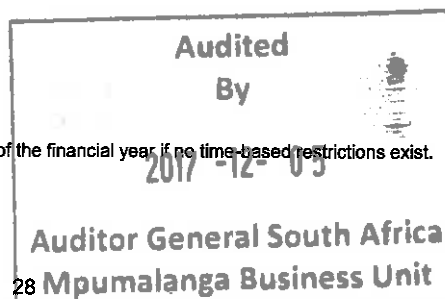
**10. REVENUE RECOGNITION**

**10. 3 Revenue from Non-exchange Transactions**

**10. 3. 4 Government Grants and receipts**

Equitable share allocations are recognised in revenue at the start of the financial year, if no time-based restrictions exist.

**Conditional Grants and receipts**



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Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**11. PROVISIONS**

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

**12. EMPLOYEE BENEFITS**

**12. 1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**12. EMPLOYEE BENEFITS**

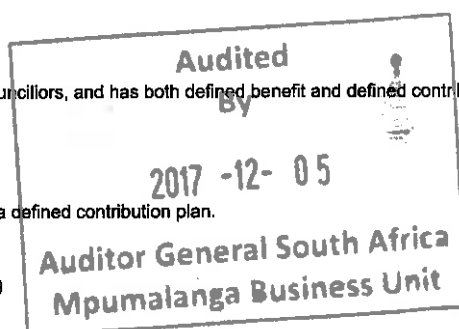
**12. 2 Post employment benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

**12. 3 Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

**12. 3. 1 Post-retirement Health Care Benefits:**



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The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

**12. 3. 2 Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**13. LEASES**

**Lease Classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**13. 1 The Municipality as Lessee**

**Finance leases**

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

**Operating leases**

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**13. 2 The Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

**13. 3 Determining whether an arrangement contains a lease**

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

**14. BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

**15. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

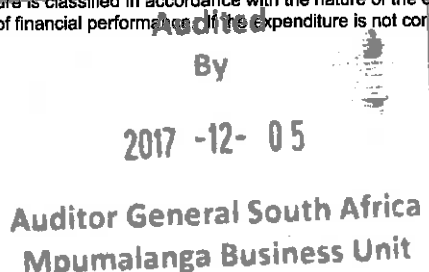
**16. VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

**17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**18. IRREGULAR EXPENDITURE**



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Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

**21. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**22. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**23. COMPARATIVE INFORMATION**

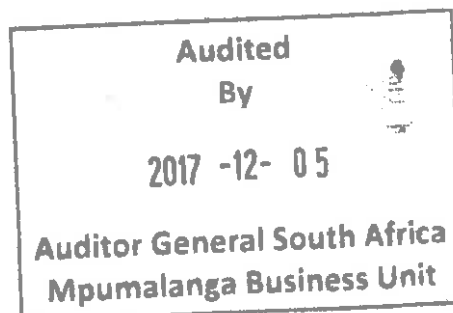
**23. 1 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**23. 2 Budget Information**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2017.

**24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**



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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

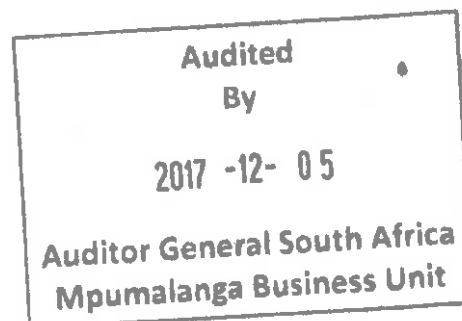
The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**26. CAPITAL COMMITMENTS**

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>1. GENERAL INFORMATION</b>		
<p>Emakhazeni Local Municipality (the municipality) is a local government institution in Emakhazeni, Dullstroom and Siyathuthuka, Mpumalanga Province, and is one of eight local municipalities under the jurisdiction of the Nkangala District Municipality. The addresses of its registered office and principal place of business are Scheepers Street, Belfast. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
<b>2. INVENTORIES</b>		
Stock	2 366 714	2 687 128
Water - at cost	47 666	53 842
<b>Total Inventories</b>	<u>2 414 380</u>	<u>2 740 970</u>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R2.26 per kilolitre (2016: R2,55 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Service Debtors:	108 068 983	90 687 408	17 381 575
Electricity	25 261 615	21 570 636	3 690 978
Refuse	29 158 510	26 059 487	3 099 023
Sewerage	18 796 268	13 917 828	4 878 439
Water	34 852 591	29 139 456	5 713 135
Other Receivables	6 145 388	-	6 145 388
Other Consumer Services	6 145 388	-	6 145 388
<b>Total Receivables from Exchange Transactions</b>	<u>114 214 371</u>	<u>90 687 408</u>	<u>23 526 963</u>
<b>As at 2016</b>			
Service Debtors:	96 943 358	78 983 795	17 959 563
Other Receivables	2 213 721	-	2 213 721
<b>Total Receivables from Exchange Transactions</b>	<u>99 157 079</u>	<u>78 983 795</u>	<u>20 173 284</u>

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

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**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**

Before accepting any new consumer, the municipality uses an external credit scoring system to assess the potential consumer's credit quality and defines credit limits by consumer. Limits and scoring attributed to consumers are reviewed twice a year. 80% of the Receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the municipality.

**3.1 Ageing of Receivables from Exchange Transactions**

As at 30 June 2017

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	1 151 705	916 570	867 596	20 543 964	23 479 835
Less: Provision for Impairment	(157 787)	(162 610)	(172 642)	(5 286 694)	(5 779 733)
<b>Net Balances</b>	<b>993 918</b>	<b>753 960</b>	<b>694 954</b>	<b>15 257 270</b>	<b>17 700 102</b>
<b>Refuse:</b>					
Gross Balances	849 079	806 666	555 966	19 822 526	21 834 237
Less: Provision for Impairment	(116 749)	(107 117)	(106 909)	(4 298 689)	(4 629 463)
<b>Net Balances</b>	<b>732 331</b>	<b>499 549</b>	<b>449 057</b>	<b>15 523 837</b>	<b>17 204 774</b>
<b>Sewerage:</b>					
Gross Balances	569 567	483 564	439 314	16 215 046	17 707 491
Less: Provision for Impairment	(111 273)	(88 550)	(88 230)	(3 629 775)	(3 917 828)
<b>Net Balances</b>	<b>458 293</b>	<b>395 014</b>	<b>351 085</b>	<b>12 585 271</b>	<b>13 789 663</b>
<b>Water:</b>					
Gross Balances	1 064 316	(169 597)	863 611	30 872 149	32 630 480
Less: Provision for Impairment	(173 966)	(150 349)	(155 446)	(6 122 865)	(6 602 625)
<b>Net Balances</b>	<b>890 350</b>	<b>(319 945)</b>	<b>708 166</b>	<b>24 749 284</b>	<b>26 027 854</b>
<b>Other Receivables:</b>					
Gross Balances	5 185 356	3 475 521	3 163 030	-	11 823 908
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>5 185 356</b>	<b>3 475 521</b>	<b>3 163 030</b>	<b>-</b>	<b>11 823 908</b>

As at 30 June Receivables of R23 526 964 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	6 563 116	3 659 036	2 494 388	101 497 831	114 214 371
Less: Provision for Impairment	(559 775)	(508 626)	(523 227)	(19 338 023)	(90 687 407)
<b>Net Balances</b>	<b>6 003 342</b>	<b>3 150 410</b>	<b>1 971 161</b>	<b>82 159 808</b>	<b>23 526 964</b>

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**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
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**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**  
**As at 2016**

As at 2016		Past Due			Total
Current	31 - 60 Days	61 - 90 Days	+ 90 Days		
<b>All Receivables:</b>					
Gross Balances	4 264 235	3 603 388	(171 207)	86 487 573	94 163 989
Less: Provision for Impairment	-	-	-	-	(77 886 200)
<b>Net Balances</b>	<b>4 264 235</b>	<b>3 603 388</b>	<b>(171 207)</b>	<b>86 467 573</b>	<b>16 277 789</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	4 523 852	1 222 904	1 222 904	1 540 655
<u>Past Due:</u>				
31 - 60 Days	7 633 188	2 977 337	(695 851)	3 445 666
61 - 90 Days	3 158 021	1 340 055	105 190	
+ 90 Days	104 390 634	21 260 098	190 384	41 818 633
Sub-total	119 705 696	26 800 395	822 627	46 804 954
Less: Provision for Impairment	101 863 015	22 445 647	-	35 344 354
<b>Total Trade Receivables by Customer Classification</b>	<b>17 842 681</b>	<b>4 354 748</b>	<b>822 627</b>	<b>11 460 600</b>

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**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	(78 983 795)	(19 056 790)
All Consumer Debtors	(78 983 795)	-
Impairment Losses recognised	(11 703 613)	(59 927 005)
All Consumer Debtors	(11 703 613)	(59 927 005)
Amounts written off as uncollectable	-	-
All Consumer Debtors	-	-
<b>Balance at end of year</b>	<b>(90 687 408)</b>	<b>(78 983 795)</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following councilors consumer debtor's receivable's owing at 30 June 2017:

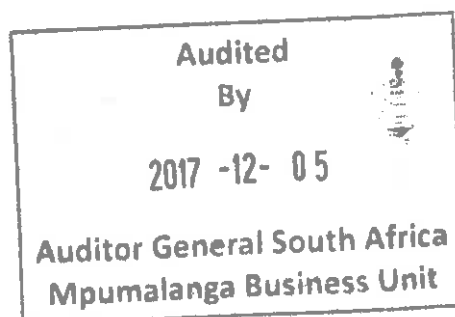
	Total	Current	30 Days	60 Days	90+ Days
N.A Mashele (Account nr 740573)	R690,00	R426,00	R264,00	R0,00	R0,00
X.D. Mashele (Account nr 1219276)	R5 055,00	R337,00	R629,00	R630,00	R3 459,00
B.S. Mabuza (Account nr 1205790)	R4 710,00	R224,00	R224,00	R224,00	R4 036,00
C.V. Lello (Account nr 116092)	R25 243,00	R897,00	R956,00	R893,00	R22 497,00
C.N. Nkosi (Account nr 1502173)	R45 296,00	R774,00	R774,00	R774,00	R42 974,00
X.C. Masina (Account nr 1209040)	R108 897,00	R482,00	R482,00	R482,00	R107 451,00
	<b>R189 891,00</b>	<b>R3 140,00</b>	<b>R3 329,00</b>	<b>R3 003,00</b>	<b>R180 419,00</b>

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	83 692 138	68 965 609	14 726 530
Accruals	399 286	-	399 286
Traffic debtors	1 544 290	-	1 544 290
Other debtors	72 766	-	72 766
<b>Total Receivables from Non-exchange Transactions</b>	<b>85 708 480</b>	<b>68 965 609</b>	<b>16 742 872</b>

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 2016</b>			
Assessment Rates Debtors	9 980 028	-	9 980 028
Accruals	324 180	-	324 180
Traffic debtors	448 994	-	448 994
Other debtors	1 908	-	1 908
<b>Total Receivables from Non-exchange Transactions</b>	<b>10 755 110</b>	<b>-</b>	<b>10 755 110</b>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016 - Restated**  
**R**

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2017**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	3 697 749	3 160 347	3 573 699	74 424 755	83 692 138
Less: Provision for Impairment	(405 794)	(327 561)	(431 058)	(68 965 609)	(68 965 609)
<b>Net Balances</b>	<b>3 291 955</b>	<b>2 832 787</b>	<b>3 142 641</b>	<b>5 459 146</b>	<b>14 726 529</b>
<b>Sundry Debtors:</b>					
Gross Balances	-	-	-	2 016 342	2 016 342
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 016 342</b>	<b>2 016 342</b>

As at 30 June Receivables of R16 815 637 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>					
Gross Balances	3 770 515	3 160 347	3 573 699	76 441 097	85 781 246
Less: Provision for Impairment	(405 794)	(327 561)	(431 058)	(68 965 609)	(68 965 609)
<b>Net Balances</b>	<b>3 364 722</b>	<b>2 832 787</b>	<b>3 142 641</b>	<b>7 475 488</b>	<b>16 815 637</b>

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)**

**As at 2016**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	2 108 356	1 785 725	15 676 683	42 230 860	61 801 624
Less: Provision for Impairment	-	-	-	-	(51 046 514)
<b>Net Balances</b>	<b>2 108 356</b>	<b>1 785 725</b>	<b>15 676 683</b>	<b>42 230 860</b>	<b>10 755 110</b>
<b>All Receivables:</b>					
Gross Balances	2 108 356	1 785 725	15 676 683	42 230 860	61 801 624
Less: Provision for Impairment	-	-	-	-	(51 046 514)
<b>Net Balances</b>	<b>2 108 356</b>	<b>1 785 725</b>	<b>15 676 683</b>	<b>42 230 860</b>	<b>10 755 110</b>

**Audited**  
**By**  
**2017 -12- 05**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>4.2 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	51 261 836	51 261 836
<i>Other Debtors</i>	-	-
<i>Assessment Rates Debtors</i>	51 261 836	51 261 836
Impairment Losses recognised	17 703 773	-
<i>Other Debtors</i>	-	-
<i>Assessment Rates Debtors</i>	17 703 773	-
<b>Balance at end of year</b>	<b>68 965 609</b>	<b>51 261 836</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

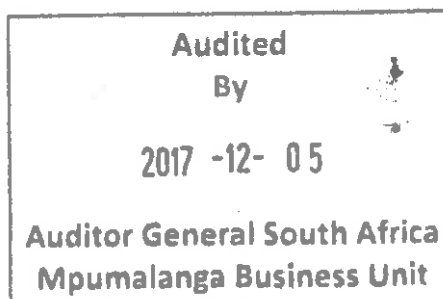
The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Assessment Rates	(68 965 609)	51 261 836
<b>Total Provision for Impairment on Receivables from Non-exchange Transactions</b>	<b>(68 965 609)</b>	<b>51 261 836</b>
	(137 931 218,00)	



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>5. CASH AND CASH EQUIVALENTS</b>		
Current Investments	5 292 280	8 816 558
Bank Accounts	2 750 119	475 759
Cash and Cash Equivalents	27 791	13 921
<b>Total Bank, Cash and Cash Equivalents</b>	<b>8 070 190</b>	<b>9 306 238</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**5.1 Current Investment Deposits**

Notice Deposits	5 292 280	8 816 558
<b>Total Current Investment Deposits</b>	<b>5 292 280</b>	<b>8 816 558</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5.75 % (2016: 5% to 7.50%) per annum.

Deposits attributable to Unspent Conditional Grants	5 292 280	8 816 558
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>5 292 280</b>	<b>8 816 558</b>

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
FIRST NATIONAL BANK - CALL ACC	61165004600	Notice Deposit	2 500	3 563 500
FIRST NATIONAL BANK - 32 - DAY CALL ACC	74006889056	Notice Deposit	2 000	2 000
FIRST NATIONAL BANK - CALL ACCOUNT	62178430212	Notice Deposit	4 309 277	4 504 971
FIRST NATIONAL BANK - CALL ACCOUNT	62076419508	Notice Deposit	911 744	28 354
FIRST NATIONAL BANK - 7 - Day	74483123713	Notice Deposit	66 759	717 732
			<b>5 292 280</b>	<b>8 816 557</b>
			<b>5 292 280</b>	<b>8 816 557</b>

**5.2 Bank Accounts**

Cash in Bank	2 750 119	475 759
<b>Total Bank Accounts</b>	<b>2 750 119</b>	<b>475 759</b>

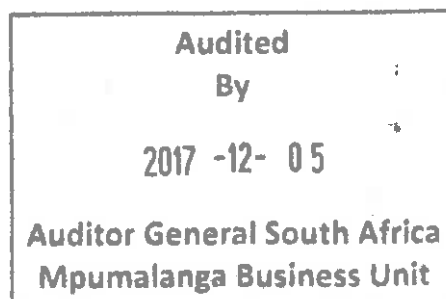
The Municipality has the following bank accounts:

**Primary Bank Account**

**FIRST NATIONAL BANK - CHEQUE ACCOUNT: 62028195510**

Cash book balance at beginning of year	475 759	902 537
Cash book balance at end of year	<b>2 750 119</b>	<b>475 759</b>

Bank statement balance at beginning of year	475 759	902 537
Bank statement balance at end of year	<b>2 750 119</b>	<b>475 759</b>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>2017</b>	<b>2016 - Restated</b>
<b>R</b>	<b>R</b>

An amount of R0 (2016: R966,067) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**5.3 Cash and Cash Equivalents**

Cash Floats and Advances	27 791	13 921
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>27 791</b>	<b>13 921</b>

**Cash and cash equivalents pledged as guarantee**

Total financial assets pledged as guarantee for Eskom	26 300	26 300
Debt factoring arrangements in which the financial counter parties retain recourse in the event of receivables default.		

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**6. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	117 635	117 635
Operating Lease Revenue recorded	22 848	-
<b>Total Operating Lease Receivables</b>	<b>140 483</b>	<b>117 635</b>

Operating Lease Assets have been restated to correctly classify amounts for water and electricity billed in the previous financial year and not accrued for. Refer to Note 34.7 on "Correction of Error" for details of the restatement.

**6.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 10 (2016: 1 to 10) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**6. OPERATING LEASE RECEIVABLES (Continued)**

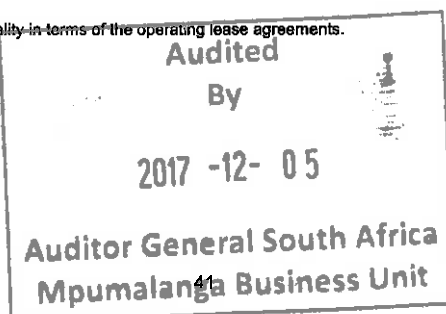
**6.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	745 284	
2 to 5 years	621 316	
More than 5 years	58 165	
<b>Total Operating Lease Arrangements</b>	<b>2 424 765</b>	<b>-</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R22 848 (2016: increase of R0) in current year income.

No restrictions have been imposed by the municipality in terms of the operating lease agreements.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**7 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2017**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Total
	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>70 954 062</b>	<b>699 396 071</b>	<b>21 848 964</b>	<b>792 199 097</b>
Cost	167 467 945	1 267 698 598	32 655 544	1 467 822 087
- Completed Assets	165 388 767	1 235 453 457	32 655 544	1 433 497 768
- Under Construction	2 079 178	32 245 141	-	34 324 319
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation:	(96 513 883)	(568 302 527)	(10 806 579)	(675 622 989)
- Cost	(96 513 883)	(568 302 527)	(10 806 579)	(675 622 989)
Acquisitions - Completed projects	-	-	-	-
Capital under Construction - Additions:	9 647 331	43 483 931	4 276 039	57 407 301
- Cost	9 647 331	43 483 931	4 276 039	57 407 301
Additions	9 647 331	43 483 931	4 276 039	57 407 301
Depreciation:	(3 719 975)	(37 605 736)	(1 941 795)	(43 267 506)
- Based on Cost	(3 719 975)	(37 605 736)	(1 941 795)	(43 267 506)
Carrying value of Disposals:	(18 264)	(1 362 862)	(31 113)	(1 412 239)
- Cost	(365 276)	(4 987 821)	(202 812)	(5 555 909)
- Accumulated Impairment Losses	-	-	-	-
- Accumulated Depreciation	347 012	3 624 959	171 699	4 143 670
Based on Cost	347 012	3 624 959	171 699	4 143 670
Impairment Losses	(1 177 407)	(685 105)	-	(1 862 512)
WIP movement				
Transfer into WIP	8 535 493	35 911 806		44 447 299
Capital under Construction - Completed	(10 614 671)	(42 516 591)	-	(53 131 262)
	-	-	-	-
	-	-	-	-
<b>Carrying values at 30 June 2017</b>	<b>73 606 569</b>	<b>696 621 514</b>	<b>24 152 095</b>	<b>794 380 178</b>
Cost	174 670 822	1 299 589 923	36 728 771	1 510 989 516
- Completed Assets	174 670 822	1 273 949 567	36 728 771	1 485 349 160
- Under Construction	-	25 640 356	-	25 640 356
Accumulated Impairment Losses	(1 177 407)	(685 105)	-	(1 862 512)
Accumulated Depreciation:	(99 886 846)	(602 283 304)	(12 576 675)	(714 746 825)
- Cost	(99 886 846)	(602 283 304)	(12 576 675)	(714 746 825)

**Audited  
By**  
  
**2017 -12- 05**  
  
**Auditor General South Africa  
Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**7 PROPERTY, PLANT AND EQUIPMENT (Continued)**

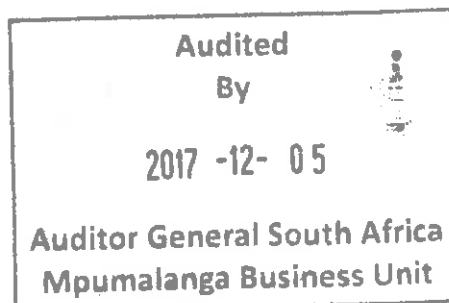
**30 June 2016 - Restated**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Other	Total
	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>73 205 237</b>	<b>675 666 921</b>	<b>22 864 292</b>	<b>771 736 450</b>
Cost	162 294 109	1 208 243 299	31 544 698	1 402 082 106
- Completed Assets	161 831 939	1 208 243 299	31 544 698	1 401 619 936
- Under Construction	462 170	2 584 364	-	3 046 534
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation:	(89 088 872)	(532 576 378)	(8 680 406)	(630 345 656)
- Cost	(89 088 872)	(532 576 378)	(8 680 406)	(630 345 656)
Acquisitions	-	-	1 110 846	1 110 846
Capital under Construction - Additions:	3 556 828	27 210 158	-	30 766 986
- Cost	3 556 828	27 210 158	-	30 766 986
Additions	3 556 828	27 210 158	-	30 766 986
Additions in to WIP	5 460 666	56 584 105	-	62 044 771
Depreciation:	(7 425 011)	(35 726 149)	(2 126 173)	(45 277 333)
- Based on Cost	(7 425 011)	(35 726 149)	(2 126 173)	(45 277 333)
Carrying value of Disposals:	-	-	-	-
- Cost	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-
- Accumulated Depreciation	-	-	-	-
Based on Cost	-	-	-	-
Impairment Losses	-	-	-	-
Capital under Construction - Completed	(3 843 658)	(26 923 328)	-	(30 766 986)
Other Movements	-	-	-	-
- Cost	-	-	-	-
Write-off	-	-	-	-
<b>Carrying values at 2016</b>	<b>70 954 062</b>	<b>699 396 071</b>	<b>21 848 964</b>	<b>792 199 097</b>
Cost	167 467 945	1 267 698 598	32 655 544	1 467 822 087
- Completed Assets	165 388 767	1 235 453 457	32 655 544	1 433 497 768
- Under Construction	2 079 178	32 245 141	-	34 324 319
Accumulated Impairment Losses	-	-	-	-
Accumulated Depreciation:	(96 513 883)	(568 302 527)	(10 806 579)	(675 622 989)
- Cost	(96 513 883)	(568 302 527)	(10 806 579)	(675 622 989)

The leased Property, Plant and Equipment is secured as set out in Note 16.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>7 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
<b>7.3 Assets pledged as security</b>		
The municipality did not pledge any of its assets as security.		
<b>7.4 Impairment of Property, Plant and Equipment</b>		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.		
<b>7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Other assets	(34 064)	
Intangible assets	(51 852)	
Infrastructure assets	(49 554)	
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<u>(135 470)</u>	<u>-</u>
<b>7.6 Under Investigated assets</b>		
During the 2016-17 audit there were 11 projects identified which did not have any support relating to the physical location of the projects. We had it as one-liners with a discretion as per the GL where we sourced the value of the projects.		
We identified 9 of these projects by means of contacting the suppliers, obtaining bills of quantities and asbults and linking the projects to projects we have already verified in prior years but could not accurately be linked due to lack of information available.		
All these projects except for two projects which have been written of by council were capitalised in the FAR for 2016-17.		
Below is a summary of projects which have been transferred from completed projects to WIP in 2015-16 due to lack of information available to accurately link the projects to the verification data on our portal. This journal have been reversed in 2016-17 after projects have been identified verified and linked to the data on the verification portal.		
Cost price of under investigated assets		15 398 725
Accumulated depreciation of under investigated assets		(3 235 890)
<b>Carrying value of lost assets</b>		<u>12 162 836</u>

**7 PROPERTY, PLANT AND EQUIPMENT (Continued)**

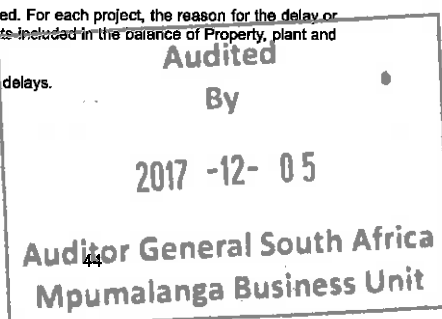
**7.7 Work-in-progress**

The municipality has incurred expenditure on capital project which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

<b>Carrying amounts of Work-in-progress</b>		
Opening balance	34 324 319,00	3 046 534,00
Prior year corrections		9 023 244
WIP additions	44 447 299	53 021 527
WIP transfers	(53 131 262)	(30 766 986)
<b>Closing balance</b>	<u>25 640 356</u>	<u>34 324 319</u>

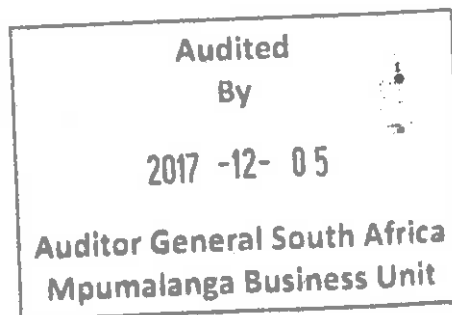
The following projects are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project were noted. The carrying amount of those assets included in the balance of Property, plant and equipment are listed below.

No projects that are currently in progress are experiencing significant delays.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 - Restated R
<b>Carrying amounts of project experiencing delays or that was halted:</b>			
<b>Project Details</b>	<b>Delay or Halted</b>		
<i>Infrastructure</i>			
Project 1: WIP 3.1 - Water supply in rural areas phase 7	Delay	2 646 206,62	
Project 2: WIP 7 - Project 3: WIP 35 - Rehabilitation of waste site Phase 1 in Belfast	Halted	12 738,22	
Project 3: WIP 35 - Renovation Tourism Site Emakhazeni	Delay	1 818 955,91	
Project 4: WIP 36 - Community Hall Sakhelwe	Delay	674 901,60	
		<u>5 152 802,35</u>	



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**8 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

**2017**  
**R**

**2016 - Restated**  
**R**

The movement In Intangible Assets is reconciled as follows:

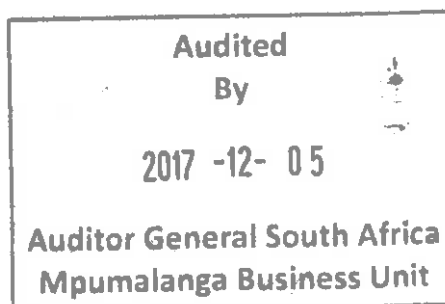
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2016</b>	<b>825 755</b>	<b>825 755</b>
Cost	2 491 155	2 491 155
Accumulated Amortisation	(1 665 400)	(1 665 400)
Acquisitions:		
Purchased	-	-
Amortisation:		
Purchased	(144 402)	(144 402)
	(144 402)	(144 402)
<b>Carrying values at 30 June 2017</b>	<b>681 353</b>	<b>681 353</b>
Cost	2 491 155	2 491 155
Accumulated Amortisation	(1 809 802)	(1 809 802)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>454 197</b>	<b>454 197</b>
Cost	1 916 806	1 916 806
Accumulated Amortisation	(1 462 609)	(1 462 609)
Acquisitions:		
Purchased	574 349	574 349
	574 349	574 349
Amortisation:		
Purchased	(202 791)	(202 791)
	(202 791)	(202 791)
<b>Carrying values at 2016</b>	<b>825 755</b>	<b>825 755</b>
Cost	2 491 155	2 491 155
Accumulated Amortisation	(1 665 400)	(1 665 400)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

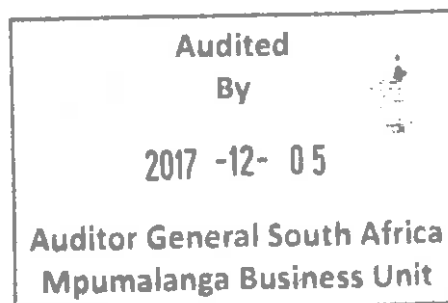
Refer to Appendix "B" for more detail on Intangible Assets.





**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>8 INTANGIBLE ASSETS (Continued)</b>		
<b>8.1 Significant Intangible Assets</b>		
The municipality has a Financial Accounting System, Munsoft, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R681,353 (2016: R825,755). Management is in the process of changing Financial Accounting System.		
<b>8.2 Intangible Assets with Indefinite Useful Lives</b>		
The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.		
Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.		
<b>8.3 Impairment of Intangible Assets</b>		
No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.		
<b>9 INVESTMENT PROPERTY</b>		
At Fair Value	195 036 184	195 036 184
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	195 036 184	195 036 184
Fair Value	195 036 184	195 036 184
Net Gains / (Losses) from Fair Value Adjustments		
<b>Carrying values at 30 June</b>	195 036 184	195 036 184
Fair Value	195 036 184	195 036 184
<b>Estimated Fair Value of Investment Property at 30 June</b>	195 036 184	195 036 184
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	1 018 922	952 706
All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.		
There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations on Investment Property.		
Refer to Appendix "B" for more detail on Investment Property.		
<b>9.1 Investment Property carried at Fair Value</b>		
The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, evaluator R. Taylor from Ducharme Consulting. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties. The evaluator is of the opinion that less or no change occurred to the values of these properties because of the slow property mark.		
The following assumptions were used:		
Discount Rate	6,90%	6,90%
<b>9.2 Impairment of Investment Property</b>		
No impairment losses have been recognised on Investment Property of the municipality at the reporting date.		



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>10 HERITAGE ASSETS</b>		
At Cost less Accumulated Impairment Losses	<u>10 255 716</u>	<u>10 255 716</u>

The movement in Heritage Assets is reconciled as follows:

	Municipal Jewellery	Cultural Buildings	Historical Sites	National Monuments	Total
<b>Carrying values at 01 July 2016</b>	12 996	10 242 720	-	-	10 255 716
Cost	12 996	10 242 720	-	-	10 255 716
Accumulated Impairment	-	-	-	-	-
<b>Carrying values at 30 June 2017</b>	12 996	10 242 720	-	-	10 255 716
Cost	12 996	10 242 720	-	-	10 255 716
Accumulated Impairment Losses	-	-	-	-	-
<b>Carrying values at 01 July 2015</b>	12 996	10 242 720	-	-	10 255 716
Cost	12 996	10 242 720	-	-	10 255 716
Accumulated Impairment	-	-	-	-	-
<b>Carrying values at 2016</b>	12 996	10 242 720	-	-	10 255 716
Cost	12 996	10 242 720	-	-	10 255 716
Accumulated Impairment Losses	-	-	-	-	-

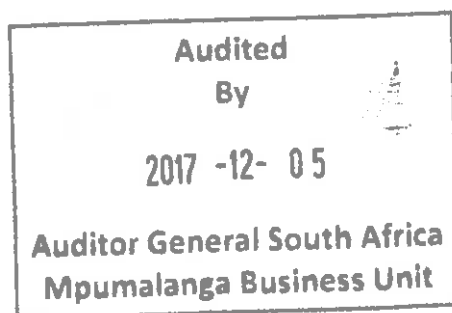
**Heritage assets which fair values cannot be reliably measured**

**Berg-en-dal Monument**

The following heritage assets were not recognised due to reliable measurement not being possible on initial recognition:  
 Berg-en dal Monuement is located just outside Emakhazeni (Belfast) on the N4 road towards Nelspruit. Erected in 1935, the monument honours those killed at the Battle of Berg-en-dal in Belfast, one of the largest battles of the Anglo-Boer War (1899-1902)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>11 CONSUMER DEPOSITS</b>		
Electricity and Water	1 758 834	1 703 064
<b>Total Consumer Deposits</b>	<u>1 758 834</u>	<u>1 703 064</u>

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

**12 PROVISIONS**

Current Portion of Post-retirement Medical Aid Benefits Liability	225 648	265 000
Current Portion of Long-term Service:	273 000	399 000
Current Portion of Non-Current Provisions:	<u>2 465 465</u>	<u>2 468 204</u>
Rehabilitation of Land-fill Sites	2 465 465	2 468 204
<b>Total Provisions</b>	<u>2 964 113</u>	<u>3 132 204</u>

	Rehabilitation of Land-fill Sites	Long-term Service	Post-retirement
	R	R	R
<b>30 June 2017</b>			
Balance at beginning of year	2 468 204	399 000	265 000
Transfer from non-current	(2 739)	(126 000)	(39 352)
<b>Balance at end of year</b>	<u>2 465 465</u>	<u>273 000</u>	<u>225 648</u>

	Rehabilitation of Land-fill Sites	Long-term Service	Post-retirement
	R	R	R
<b>2016</b>			
Balance at beginning of year		299 000	
Transfer from non-current	2 468 204	100 000	265 000
<b>Balance at end of year</b>	<u>2 468 204</u>	<u>399 000</u>	<u>265 000</u>

**Audited  
By  
2017 -12- 05  
Auditor General South Africa  
Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>13 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	82 432 676	88 742 511
Debtors Received In Advance	3 912 955	3 912 955
Retentions	7 557 322	2 600 522
Unallocated receipts	10 198 875	9 968 674
Leave pay provisions	5 885 816	4 673 233
Deferred revenue	7 193 879	7 192 224
Employee accruals	13 455 674	584 457
Other Creditors	4 011 410	6 629
<b>Total Payables</b>	<b>134 648 607</b>	<b>117 681 205</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Funds received in advance	2 314 236
<b>Total Payables</b>	<b>2 314 236</b>

**15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**14.1 Conditional Grants from Government**

Financial Management Grant	454 140
Municipal Systems Improvement Grant	434 189
EPWP Grant	77 738
<b>Total Conditional Grants and Receipts</b>	<b>966 067</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

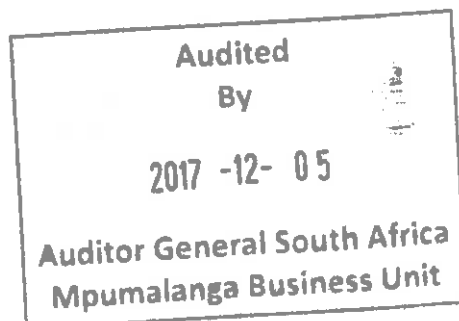
Refer to Appendix "F" for more detail on Conditional Grants.

**16 VAT PAYABLE**

Vat Payable	4 821 353	3 443 252
	4 821 353	3 443 252

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016 - Restated  
R

**17 OPERATING LEASE LIABILITIES**

**17.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**17.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

A lease contract was entered into between the municipality and Ms AD Nel for the lease of a premises. The premises is leased to facilitate the municipality's Technical services offices. The lease period on month to month basis with a yearly 6.5% lease payment escalation. Month to month agreement was cancelled in December 2016.

**Buildings:**

Up to 1 year

2 to 5 years

More than 5 years

	-	421 740
	-	421 740
	-	-
	-	-

A lease contract was entered into between the municipality and Seartec Trading (Pty) Ltd T/A Sharp Electronics for the rental of photo copier machines. This lease is for the period of three years. The lease repayments is at a fixed amount over the term with no escalation clauses. Agreement expires on 17 August 2017.

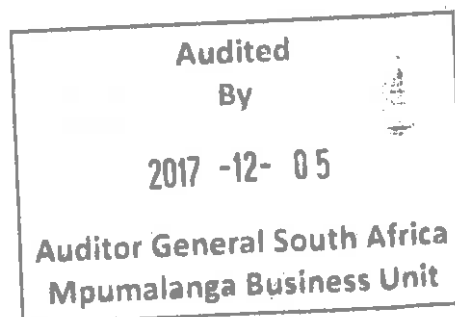
**Equipment:**

Up to 1 year

2 to 5 years

More than 5 years

	26 266	322 895
	26 266	322 895
	-	-
	-	-



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>18 EMPLOYEE BENEFIT LIABILITY</b>		
Post-retirement Health Care Benefits Liability	8 729 000	9 742 000
Provision for Long Service Awards	3 687 000	3 481 000
<b>Total Employee Benefits</b>	<b>12 416 000</b>	<b>13 223 000</b>
<b>18.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	10 007 000	8 946 000
Expected Employer Benefit Payments	(273 000)	(265 000)
Current-service Cost	705 000	551 000
Interest Cost	1 016 000	832 000
Actuarial (Gain)/Loss Recognised in P&L	(2 499 000)	(59 000)
Balance at end of Year	8 956 000	10 007 000
Transfer to Current Provisions	(227 000)	(265 000)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>8 729 000</b>	<b>9 742 000</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

**18 EMPLOYEE BENEFIT LIABILITY (Continued)**

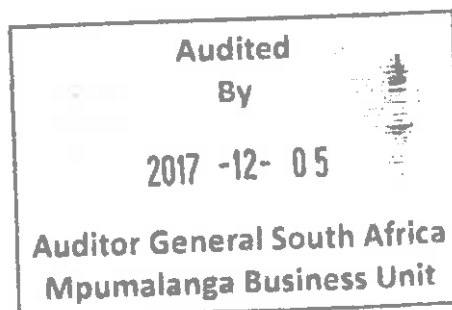
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr D.T. Muriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	126	138
In-service Non-members (Employees)	-	-
Continuation Members (Retirees, widowers and orphans)	5	6
<b>Total Members</b>	<b>131</b>	<b>144</b>

The liability in respect of past service has been estimated as follows:

In-service Members	7 226 000	7 347 000
In-service (employee) non-members	1 730 000	2 660 000
<b>Total Liability</b>	<b>8 956 000</b>	<b>10 007 000</b>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost for the year ending 30 June 2017 is estimated to be R705 000, whereas the cost for the ensuing year is estimated to be R 699 000 (2016: R551 000 and R705 000 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8,03%	8,39%
Health Care Cost Inflation Rate	6,33%	7,68%
Net Effective Discount Rate	1,60%	0,65%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	10 007 000	8 948 000
Current service costs	705 000	551 000
Interest cost	1 016 000	832 000
Benefits paid	(273 000)	(265 000)
Actuarial losses / (gains)	(2 499 000)	(59 000)
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>8 956 000</b>	<b>10 007 000</b>
<b>Total Recognised Benefit Liability</b>	<b>8 956 000</b>	<b>10 007 000</b>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	8 956 000	10 007 000
Unfunded Accrued Liability	8 956 000	10 007 000
<b>Total Benefit Liability</b>	<b>8 956 000</b>	<b>10 007 000</b>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	705 000	891 070
Interest cost	1 016 000	983 342
Benefits paid	(273 000)	(265 000)
Actuarial losses / (gains)	(2 499 000)	(59 000)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 28)</b>	<b>(1 051 000)</b>	<b>1 550 412</b>

**18 EMPLOYEE BENEFIT LIABILITY (Continued)**

The history of experienced adjustments is as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	8 956 000	10 007 000	8 336 604	6 980 619	5 912 204
<b>Deficit</b>	<b>8 956 000</b>	<b>10 007 000</b>	<b>8 336 604</b>	<b>6 980 619</b>	<b>5 912 204</b>

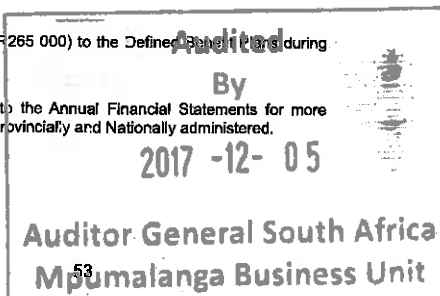
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 725 000	1 781 000
Effect on the defined benefit obligation	10 788 000	10 385 000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 162 000	1 644 000
Effect on the defined benefit obligation	7 509 000	9 552 000

The municipality expects to make a contribution of R273 000 (2016: R265 000) to the Defined Benefit Fund during the next financial year.

Refer to Note 44, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>18.2 Provision for Long Service Awards</b>	<b>2017 R</b>	<b>2016 R</b>
Balance at beginning of year	3 880 000	3 604 000
Current-service Cost	415 000	412 000
Interest Cost	394 000	341 000
Actuarial (Gain)/Loss	(326 000)	(234 000)
Expected Employer Benefit Payments	(399 000)	(243 000)
	<u>3 964 000</u>	<u>3 880 000</u>
Transfer to current provisions	(277 000)	(399 000)
<b>Balance at end of year</b>	<u><b>3 687 000</b></u>	<u><b>3 481 000</b></u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr D.T. Mureriwa, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 341 (2016: 338) employees were eligible for Long-service Awards.

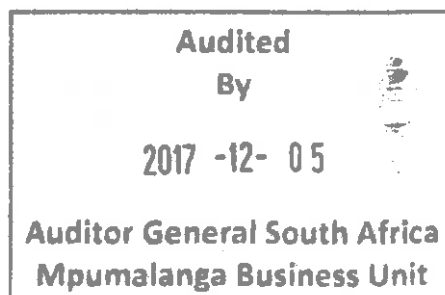
The Current-service Cost for the year ending 30 June 2017 is estimated to be R415 000, whereas the cost for the ensuing year is estimated to be R711 000 (2016: R412 000 and R415 000 respectively).



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R			
<b>18 EMPLOYEE BENEFIT LIABILITY (Continued)</b>					
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>					
Discount Rate	8,89%	8,39%			
Net Effective Discount Rate	1,60%	0,65%			
Expected Rate of Salary Increase	7,17%	7,68%			
Expected Retirement Age - Females	60	60			
Expected Retirement Age - Males	60	60			
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>					
Balance at the beginning of the year	1 516 340	1 240 340			
Current service costs	415 000	412 000			
Interest cost	394 000	341 000			
Benefits paid	(399 000)	(243 000)			
Actuarial losses / (gains)	(326 000)	(234 000)			
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>1 600 340</b>	<b>1 516 340</b>			
<b>Total Recognised Benefit Liability</b>	<b>1 600 340</b>	<b>1 516 340</b>			
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	1 600 340	1 516 340			
Unfunded Accrued Liability	1 600 340	1 516 340			
<b>Total Benefit Liability</b>	<b>1 600 340</b>	<b>1 516 340</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	415 000	412 000			
Interest cost	394 000	341 000			
Benefits paid	(399 000)	(243 000)			
Actuarial losses / (gains)	(326 000)	(234 000)			
<b>Total Post-retirement Benefit Included in Employee Related Costs (Note 28)</b>	<b>84 000</b>	<b>276 000</b>			
<b>The history of experienced adjustments is as follows:</b>					
	2017 R	2016 R	2015 R	2014 R	2013 R
Present Value of Defined Benefit Obligation	1 600 340	1 516 340	1 240 340	1 225 105	750 586
<b>Deficit</b>	<b>1 600 340</b>	<b>1 516 340</b>	<b>1 240 340</b>	<b>1 225 105</b>	<b>750 586</b>
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
<b>Increase:</b>					
Effect on the aggregate of the current service cost and the interest cost				774 000	824 000
Effect on the defined benefit obligation				4 218 000	3 906 000
<b>Decrease:</b>					
Effect on the aggregate of the current service cost and the interest cost				656 000	718 000
Effect on the defined benefit obligation				3 681 000	3 549 000

The municipality expects to make a contribution of R273 000 (2016: R265 000) to the defined benefit plans during the next financial year.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>19 NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Land-fill Sites	23 901 199	21 430 171
<b>Total Non-current Provisions</b>	<u>23 901 199</u>	<u>21 430 171</u>

The movement in Non-current Provisions are reconciled as follows:

		Land-fill Sites
		R
30 June 2017		
Balance at beginning of year		23 898 375
Contributions to provision		2 468 289
		<hr/>
		26 366 664
Transfer to current provisions		(2 465 465)
		<hr/>
Balance at end of year		<u>23 901 199</u>
	Other provisions	Land-fill Sites
	R	R
2016		
Balance at beginning of year	848 554	38 642 585
Contributions to provision/(utilised during the year)	(848 554)	(14 744 210)
	<hr/>	<hr/>
	-	23 898 375
Transfer to current provisions	-	(2 468 204)
	<hr/>	<hr/>
Balance at end of year	-	<u>21 430 171</u>

**18.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R26 366 664 (2016: R23 898 375) to restore the site at the end of its useful life, estimated to be in 2033.

Provision has been made for the net present value of this cost, South African Bond rates with an expected life equal to the remaining useful lives of these sites were used to obtain an interest rate of 8.74%

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site.

The provision for rehabilitation are reconciled as follows :

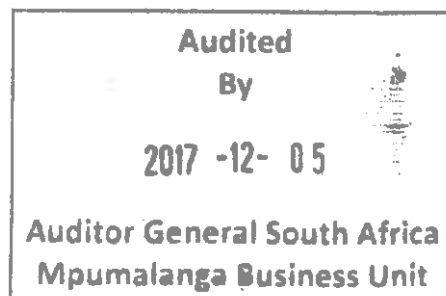
The movement in Non-current Provisions are reconciled as follows:

**Landfill site**

Balance at beginning of year	23 898 375	38 642 585
Contributions in current year	2 468 289	(14 744 210)
Less: Transfer to Current Provisions	(2 465 465)	(2 468 204)
<b>Balance of landfill site</b>	<u>23 901 199</u>	<u>21 430 171</u>

The council will incur rehabilitation cost on its four dumping/landfill sites over the period 2013/14 up to 2023/24. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2017	2016
Belfast	2023/2024	5 929 300	5 370 282
Dullstroom	2023/2024	8 424 268	7 646 842
Machadodorp	2023/2024	7 177 616	6 509 251
Waterval Boven	2023/2024	4 835 480	4 372 000
		<u>26 366 664</u>	<u>23 898 375</u>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>20 ACCUMULATED SURPLUS/(DEFICIT)</b>		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	870 738 213	884 650 083
<b>Total Accumulated Surplus</b>	<u>870 738 213</u>	<u>884 650 083</u>
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.		

**21 PROPERTY RATES**

	Actual Levies	
Residential	53 459 890	29 065 057
<b>Total Property Rates</b>	<u>53 459 890</u>	<u>29 065 057</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

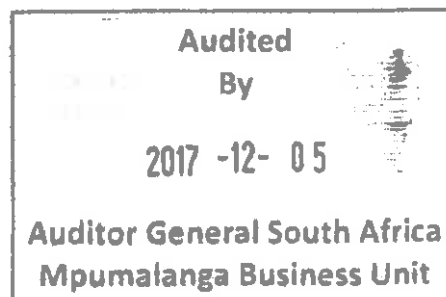
Residential Properties: 1.13 c/R (2014/15: 1.1.0679 c/R)

A discount of 20,00% (2014/15: 20,00%) was granted on properties owned by the State and a discount of 85% on all Agricultural

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

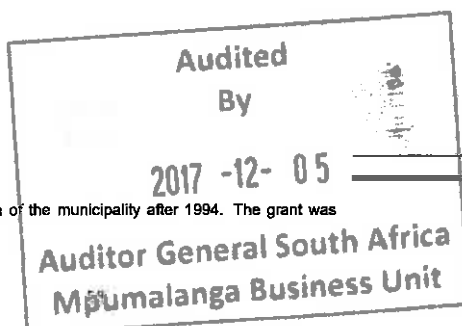
**22 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share	51 837 067	32 382 000
<b>Operational Grants</b>	51 837 067	32 382 000
<b>Conditional Grants</b>	88 535 067	72 164 861
National Government: EQUITABLE SHARE	51 837 067	48 485 937
National Government: FINANCE MANAGEMENT GRANT	1 825 000	1 345 860
National Government: MIG	25 404 000	20 755 000
National Government: MSIG	-	495 811
National Government: INEP	8 000 000	-
National Government: INTERNSHIP PROGRAM	252 000	70 991
Provincial Government: DEPT. PUBLIC WORKS	1 217 000	1 011 262
<b>Total Government Grants and Subsidies</b>	<u>88 535 067</u>	<u>72 164 861</u>



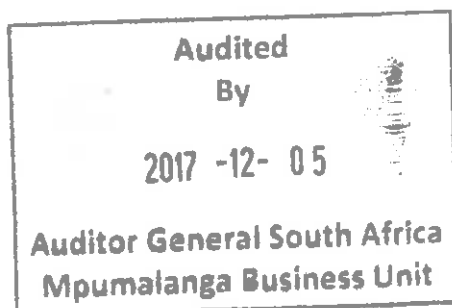
**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>Operational Grants:</b>		
<b>22.1 National: Equitable Share</b>	<u>51 837 067</u>	<u>32 382 000</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R168 (2016: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
<b>Conditional Grants:</b>		
<b>22.2 National: Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	51 837 067	46 068 937
Conditions met - transferred to Revenue: Operating Expenses	(51 837 067)	(46 068 937)
Other Adjustments/Refunds	-	-
	<u>-</u>	<u>-</u>
<b>22.3 National: Financial Management Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 825 000	1 345 860
Conditions met - transferred to Revenue: Operating Expenses	(1 825 000)	(1 345 860)
	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
<b>22.4 National: Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	25 404 000	20 755 000
Conditions met - transferred to Revenue: Capital Expenses	(25 404 000)	(20 755 000)
	<u>-</u>	<u>-</u>
<b>22.5 National: Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	434 189	81 456
Current year receipts	940 000	930 000
Conditions met - transferred to Revenue: Operating Expenses	(940 000)	(495 811)
Other Adjustments/Refunds	(434 189)	(81 456)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	434 189
	<u>-</u>	<u>434 189</u>
<b>22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>22.6 National: Integrated National Electrification Programme</b>		
Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	-
Conditions met - transferred to Revenue: Capital Expenses	(8 000 000)	-
	<u>-</u>	<u>-</u>
Expenses were incurred to promote rural development and upgrade electricity infrastructure. An unspent amount of R84 811 (2014: R0) has been paid back to the funder		
<b>22.7 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 217 000	1 011 262
Conditions met - transferred to Revenue: Operating Expenses	(1 217 000)	(1 011 262)
	<u>-</u>	<u>-</u>
Expenses were incurred to promote rural development and upgrade of road infrastructure and for cleaning the grave sites in the municipal area. No funds have been withheld.		
<b>22.8 Other: Internship</b>		
Balance unspent at beginning of year	-	-
Current year receipts	252 000	70 991
Conditions met - transferred to Revenue: Operating Expenses	(252 000)	(70 991)
	<u>-</u>	<u>-</u>
The municipality received this grant to help with the re-organization of the municipality after 1994. The grant was utilised for this purpose. No funds have been withheld.		



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>23 DONATIONS</b>		
Conditional Contributions:		
Other Donations	21 792 000	37 992 149
<b>Total Public Contributions and Donations</b>	<u>21 792 000</u>	<u>37 992 149</u>
<b>Public Contributions and Donations:</b>		
Conditional Grants	21 792 000	37 992 149
<b>Total Public Contributions and Donations</b>	<u>21 792 000</u>	<u>37 992 149</u>
Attributable to:		
Continuing Operations	21 792 000	37 992 149
	<u>21 792 000</u>	<u>37 992 149</u>
<b>24 SERVICE CHARGES</b>		
Sale of Electricity	51 595 507	44 373 781
Sale of Water	14 213 696	13 150 711
Refuse Removal	10 058 594	8 650 591
Sewerage and Sanitation Charges	10 154 438	8 062 882
<b>Total Service Charges</b>	<u>86 022 235</u>	<u>74 237 965</u>
Attributable to:		
Continuing Operations	86 022 235	74 237 965
	<u>86 022 235</u>	<u>74 237 965</u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>25 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue:		
- Investment Property		
Rental Revenue from Office Dwellings	175 325	262 300
Rental Revenue from Buildings	810 595	644 117
Rental Revenue from Halls	43 439	21 408
Rental Revenue from Lease of sport fields	-	3 289
Rental Revenue from Challet rental	3 152	19 687
Rental Revenue from Site fees	9 259	1 904
<b>Total Rental of Facilities and Equipment</b>	<u>1 041 770</u>	<u>952 705</u>
Attributable to:		
Continuing Operations	1 041 770	952 705
	<u>1 041 770</u>	<u>952 705</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
<b>26 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	84 398	38 462
Investments	558 411	507 597
	<u>642 809</u>	<u>546 059</u>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	-	-
	<u>-</u>	<u>-</u>
<b>Total Interest Earned</b>	<u>642 809</u>	<u>546 059</u>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>27 OTHER INCOME</b>		
Sundry revenue	167 281	1 014 743
Membership fees	-	7 108
<b>Total Other Revenue</b>	<u>167 281</u>	<u>1 021 851</u>
Attributable to:		
Continuing Operations	<u>167 281</u>	<u>1 021 851</u>
	<u>167 281</u>	<u>1 021 851</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

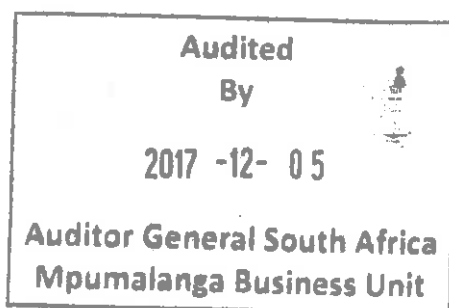
**28 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	61 990 966	45 738 045
Basic Salaries and Wages	58 809 592	42 520 239
Long Service Bonuses	3 181 375	337 092
Service Bonuses	-	2 880 714
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	12 858 699	12 618 497
Group Life	18 435	19 830
Medical	3 140 639	3 679 792
Pension	8 579 975	7 881 110
SALGBC	29 508	26 790
Skills Development Levy	604 045	579 650
UIF	486 098	431 325
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	6 898 963	7 174 017
Allowances	6 898 963	7 174 017
Housing Benefits and Allowances	696 901	658 145
Overtime Payments	4 329 624	3 382 124
Defined Benefit Plan Expense:	841 893	1 061 000
Current Service Cost	98 893	288 000
Interest Cost	1 016 000	832 000
Net Actuarial (gains)/losses recognised	(273 000)	(59 000)
<b>Total Employee Related Costs</b>	<u>87 617 048</u>	<u>70 631 828</u>
Attributable to:		
Continuing Operations	<u>87 617 048</u>	<u>70 631 828</u>
	<u>87 617 048</u>	<u>70 631 828</u>

In terms of Sec 125 (c) of MFMA the following amounts are still outstanding as at 30 June 2017:

PAYE:	R664 932,28	R486 673,72
Pensionfund contributions:	R280 913,08	R707 678,57
Medical aid contributions:	R132 895,00	R265 085,60

Emakhaseni is a category 2 municipality as per the Categorization and Job Evaluation Wage Curves Agreement that whereby employee cost and council members remuneration



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>28 EMPLOYEE RELATED COSTS (Continued)</b>		
<b>Remuneration of Section 57 Employees:</b>		
<i>Remuneration of the Municipal Manager - E.K. Tshabalala</i>		
Annual Remuneration	633 098	463 871
Annual Bonus	-	-
Car and Other Allowances	211 452	149 790
Backpay	32 848	-
Company Contributions to UIF, Medical and Pension Funds	149 059	104 575
<b>Total</b>	<b>1 026 456</b>	<b>718 236</b>

Ms E.K. Tshabalala serves as Municipal Manager since 01 October 2015.

<i>Remuneration of the Chief Financial Officer - M.M. Ngwenya (Contract ended 30 June 2017)</i>		
Annual Remuneration	466 464	453 252
Annual Bonus	-	-
Car and Other Allowances	102 093	99 509
Backpay	27 580	-
Company Contributions to UIF, Medical and Pension Funds	149 826	143 961
<b>Total</b>	<b>745 964</b>	<b>696 722</b>

Mrs. M.M. Ngwenya serves as Chief Financial Officer as from 19/03/2014.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

<i>Remuneration of the Manager: Community Services Manager - N. Singh (Contract ended 30 April 2017)</i>		
Annual Remuneration	349 250	398 329
Annual Bonus	-	-
Car and Other Allowances	132 564	159 077
Backpay	27 576	-
Company Contributions to UIF, Medical and Pension Funds	110 348	139 365
<b>Total</b>	<b>619 738</b>	<b>696 771</b>

The expenditure of the Community Services Manager is included under Employee related cost - this is only a breakdown.

<i>Remuneration of the Manager: Corporate Services - I.M. Abdullah</i>		
Annual Remuneration	399 671	389 621
Annual Bonus	-	-
Car and Other Allowances	186 529	168 441
Backpay	27 576	-
Company Contributions to UIF, Medical and Pension Funds	147 894	140 675
<b>Total</b>	<b>761 669</b>	<b>698 737</b>

Mr IM Abdullah serves as Acting Corporate Services Manager since 09/03/2013 until 30/09/2014.

Mr IM Abdullah serves as acting Corporate Services Manager as from 01/10/2014.

The expenditure of the Corporate Services Manager is included under Employee related cost - this is only a breakdown.

<i>Remuneration of the Manager: Planning and Developmental Services - L.D. Mkhonza (Contract ended 30 June 2017)</i>		
Annual Remuneration	403 767	436 664
Annual Bonus	-	-
Car and Other Allowances	120 013	133 639
Backpay	27 576	-
Company Contributions to UIF, Medical and Pension Funds	147 075	149 417
<b>Total</b>	<b>698 431</b>	<b>719 720</b>

Mr. L.D. Mkhonza serves as Manager Planning and Development as from 04/12/2013.

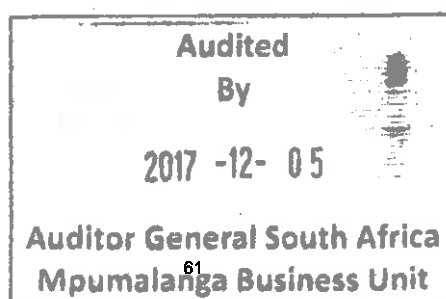
The expenditure of the Planning and Developmental Services Manager is included under Employee related cost - this is only a breakdown.

<i>Remuneration of the Manager: Technical Services - L.O. Sindane</i>		
Annual Remuneration	452 385	436 593
Leave payout	13 585	-
Car and Other Allowances	177 698	174 242
Backpay	29 230	-
Company Contributions to UIF, Medical and Pension Funds	89 428	84 308
<b>Total</b>	<b>762 326</b>	<b>695 143</b>

Mr. L.O. Sindane served as Acting Manager Technical Services since 20/12/2013 to 30/04/2014

Mr. L.O. Sindane served as Manager Technical services from 01/10/2014

The expenditure of the Technical Services Manager is included under Employee related cost - this is only a breakdown.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>29 REMUNERATION OF COUNCILLORS - 2017</b>	<b>5 560 353</b>	<b>5 387 520</b>

**REMUNERATION OF COUNCILLORS (Outgoing)**

**Executive Mayor**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Ngwenya X.S.H.	32 200	2 039	14 016	2 917	24 093	9 556
<b>Sub Total</b>	<b>32 200</b>	<b>2 039</b>	<b>14 016</b>	<b>2 917</b>	<b>24 093</b>	<b>9 556</b>

**Executive Committee**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Hadebe M.U.	25 787	2 039	10 512		18 232	7 844
Mashele N.A.	27 360	2 039	10 512		18 232	6 304
Radebe E.S.	27 751	2 039	10 512		18 232	5 907
<b>Sub Total</b>	<b>80 898</b>	<b>6 117</b>	<b>31 536</b>		<b>54 696</b>	<b>20 055</b>

**Speaker**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Kambula M.	41 146	2 039			15 704	6 487
<b>Sub Total</b>	<b>41 146</b>	<b>2 039</b>			<b>15 704</b>	<b>6 487</b>

**Councillors**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Botha A.A.	11 627	2 039	4 205		7 835	1 906
Gwebu S.P.	9 265	2 039	4 205		7 835	4 289
Ntuli N.P.	11 626	2 039	4 205		7 835	1 906
Lello C.V.	11 627	2 039	4 205		7 835	1 906
Mabuza B.S.	11 627	2 039	4 208		7 835	1 906
Masina X.D.	11 627	2 039	4 205		7 835	1 906
Mondlane	15 503	2 039	0		6 321	2 452
Nkosi C.N.	14 324	2 039	0		6 321	3 589
Stevens J.J.	0	0	0		1 009	10
<b>Sub Total</b>	<b>97 226</b>	<b>16 312</b>	<b>25 233</b>		<b>60 661</b>	<b>19 870</b>

**REMUNERATION OF COUNCILLORS (New)**

**Executive Mayor**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Ngwenya T.D.	379 931	22 195	155 805	30 492	1 288	61 932
<b>Sub Total</b>	<b>379 931</b>	<b>22 195</b>	<b>155 805</b>	<b>30 492</b>	<b>1 288</b>	<b>61 932</b>

**Executive Committee**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Travel Allowance	Back Pay	Company Contributions
Kambula M.	305 627	22 195	117 157		1 449	49 187
Mthimunyane S.S.	305 627	22 195	117 157	2 558	1 288	49 198
Scheefers T.E.	289 007	22 195	117 157		1 288	66 202
<b>Sub Total</b>	<b>900 261</b>	<b>66 585</b>	<b>351 471</b>	<b>2 558</b>	<b>4 025</b>	<b>164 587</b>

**Speaker**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Mashele N.A.	308 875	22 195	124 887		1 449	48 831
<b>Sub Total</b>	<b>308 875</b>	<b>22 195</b>	<b>124 887</b>		<b>1 449</b>	<b>48 831</b>

**Councillors**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Ngomane T.C.	138 494	24 395	52 269		6 993	22 188
Ntuli N.P.	154 254	24 395	52 269		42 893	25 065
Masina X.D.	154 254	24 395	52 269		49 020	25 108
Masha N.T.	154 254	24 395	52 269		42 893	25 047
Botha A.A.	138 494	24 395	52 269		6 993	22 188
Tshabalala S.S.	138 494	24 395	52 269		6 993	22 188
Scheffers D.M.	95 156	16 795	35 656		8 886	15 378
Skhosana S.I.	138 494	24 395	52 269		6 993	22 188
Ndlovu R.	138 494	24 395	52 269		6 993	28 113
<b>Sub Total</b>	<b>1 250 388</b>	<b>211 955</b>	<b>470 421</b>		<b>178 597</b>	<b>207 463</b>

**Total**

**29 REMUNERATION OF COUNCILLORS - 2016**

**REMUNERATION OF COUNCILLORS**

**Executive Mayor**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Ngwenya X.S.H.	374 703	24 468	172 045	35 000	21 585	110 481
<b>Sub Total</b>	<b>374 703</b>	<b>24 468</b>	<b>172 045</b>	<b>35 000</b>	<b>21 585</b>	<b>110 481</b>

**Executive Committee**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Hadebe M.U.	299 871	24 468	129 034		16 188	90 156
Mashele N.A.	318 262	24 468	129 034		16 188	71 628
Radebe E.S.	322 833	24 468	129 034		16 188	67 025
<b>Sub Total</b>	<b>940 966</b>	<b>73 404</b>	<b>387 102</b>		<b>48 564</b>	<b>228 809</b>

**Speaker**

	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
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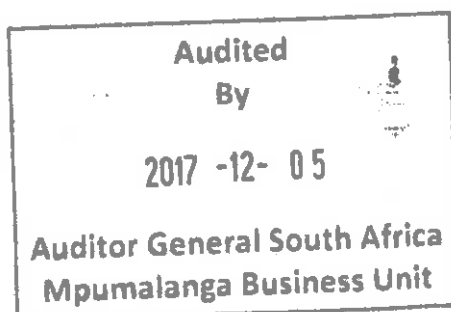
**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

					2017 R	2016 - Restated R
Kambula M.	478 734	24 468			17 268	74 205
	478 734	24 468			17 268	74 205
Councillors	Annual remuneration	Telephone Allowance	Vehicle Allowance	Housing Allowance	Back Pay	Company Contributions
Botha A.A.	134 918	24 468	51 719		7 064	21 381
Gwebu S.P.	107 313	24 468	51 719		7 064	49 191
Ntuli N.P.	153 200	24 468	51 719		7 064	24 033
Lello C.V.	134 918	24 468	51 719		7 064	21 381
Mabuza B.S.	134 918	24 468	51 719		7 064	21 381
Mashele R.B.	170 936	24 468	0		7 064	36 979
Masina X.D.	134 918	24 468	51 719		7 064	21 381
Mondlane S.M.	179 891	24 468	0		7 064	27 959
Nkosi C.N.	166 114	24 468	0		7 064	41 819
Stevens J.J.	67 216	22 429	0		7 064	76 041
	1 384 342	242 641	310 314		70 640	341 546

**30 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	43 267 506	45 476 797
Amortisation: Intangible Assets	144 402	202 791
<b>Total Depreciation and Amortisation</b>	<b>43 411 908</b>	<b>45 679 588</b>
Attributable to:		
Continuing Operations	43 411 908	45 679 588
	<b>43 411 908</b>	<b>45 679 588</b>

*Depreciation and Amortisation have been restated to correctly disclose the expense on correction of opening balance and 2016 balance terms in terms of GRAP 17. Refer to Note 36.3 on "Correction of Error" for details of the restatement.*



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>31 IMPAIRMENT LOSSES</b>		
<b>31.1 Impairment Losses on Financial Assets (Fair Value)</b>		
Impairment Losses Recognised:	44 907 386	72 197 474
Receivables from Exchange Transactions	27 203 613	70 884 558
Receivables from Non-exchange Transactions	17 703 773	-
Bad debts written off	-	1 312 916
Impairment Losses Reversed:	(15 500 000)	-
Receivables from Exchange Transactions	(15 500 000)	-
	<u>29 407 386</u>	<u>72 197 474</u>
<b>31.2 Impairment of Immovable assets</b>		
Impairment Losses Recognised:	1 782 046	-
Infrastructure	604 639	-
Buildings	1 177 407	-
	<u>1 782 046</u>	<u>-</u>
<b>Total Impairment Losses</b>	<u>31 189 431</u>	<u>72 197 474</u>
<b>32 FINANCE COSTS</b>		
Interest paid	5 472 602	4 881 687
Landfill Sites Expenses	2 470 226	-
Total Interest Expense	<u>7 942 828</u>	<u>4 881 687</u>
<b>Total Interest Paid on External Borrowings</b>	<u>7 942 828</u>	<u>4 881 687</u>
Attributable to:		
Continuing Operations	7 942 828	4 881 687
	<u>7 942 828</u>	<u>4 881 687</u>
<b>33 BULK PURCHASES</b>		
Electricity	47 336 635	38 577 142
Water	-	-
<b>Total Bulk Purchases</b>	<u>47 336 635</u>	<u>38 577 142</u>
Distribution losses		
Electricity losses	2 580 820	(9 356 700)
Water losses	4 135 348	3 740 282
	<u>6 716 168</u>	<u>(5 616 418)</u>
<b>34 CONTRACTED SERVICES</b>		
Security Services	4 096 017	4 180 356
<b>Total Contracted Services</b>	<u>4 096 017</u>	<u>4 180 356</u>

Audited  
By  
2017 -12- 05  
Auditor General South Africa  
Mpumalanga Business Unit

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>35 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	78 105	53 687
Audit Fees	4 780 426	3 641 938
Bank Charges	268 999	45 574
Chemicals	290 698	150 744
Cleaning Costs	-	9 370
Consulting and professional fees	4 124 895	3 743 053
Community development and training	120 469	72 905
Donations	11 006	13 100
Entertainment	76 234	68 558
Free basic services	1 411 286	1 263 352
Fuel And Oil	12 857 770	1 833 236
Indigent Support	958 512	4 339
Information books	56 863	317 310
Insurance	406 464	1 086 388
Law enforcement service fee	1 915 504	5 158 887
Licenses fees	285 807	1 241 949
Material and stock	74 702	22 945
Other General Expenses	71 340	-
Postage And Stamps	476 357	-
Printing And Stationery	1 199 713	1 325 436
Protective clothing	364 470	429 532
Refuse	80 754	50 144
Rehabilitation landfill site	546 667	560 311
Rental expenses	535 946	957 872
Subscription and membership fees	812 021	874 736
Telephone Cost	1 878 299	1 703 070
Training Cost	357 338	-
Transport travel and Subsistence	850 887	394 741
Water manufacturing expenses	6 592 176	5 681 910
<b>Total General Expenses</b>	<b>41 483 708</b>	<b>30 705 087</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**35.1 Material Losses**

Distribution Losses:  
Electricity Losses  
Water Losses

6 716 168	(5 616 418)
2 580 820	(9 356 700)
4 135 348	3 740 282

The amounts disclosed above for Electricity and Water Losses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 48.9).

No other extra-ordinary expenses were incurred.

**35.2 Repairs and maintenance**

Infrastructure - Other

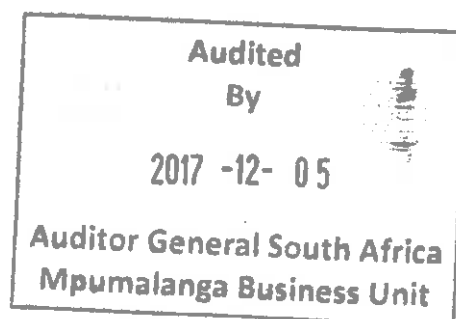
**Total Repairs and Maintenance**

3 355 575	4 752 098
<b>3 355 575</b>	<b>4 752 098</b>

**35.3 Audit fees**

Balance unpaid (included in payables)

112 605	1 957 354
112 605	1 957 354



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>36 CORRECTION OF ERROR</b>		
Corrections were made during the previous financial years. Details of the corrections are described below:		
<b>Details of the appropriations are as follows:</b>		
<b>Statement of Financial Position:</b>		
Operating lease asset		117 635
Trade Receivables from Exchange Transactions		2 166 029
Trade Receivables from Non-Exchange Transactions		
VAT Payable		
Cash and Cash Equivalents		
Property, Plant and Equipment		15 585 939
Trade Payable from Exchange Transactions		(2 670 802)
Trade Payable from Non-Exchange Transactions		
	<hr/>	<hr/>
	-	15 198 801

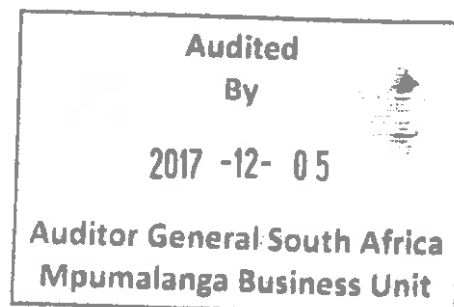
**36.1 Misstatement of Property, Plant and Equipment**

**Work in Progress**

During the financial year management discovered Gains under PPE during the verification process. This was Donated projects from the Nkangala District Municipality. A donation certificate was received but not we missed to account for the work in progress. All of the above was corrected retrospectively.

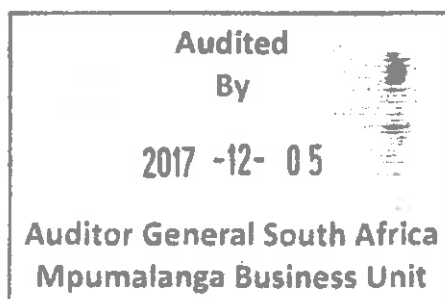
**The effect of the Correction of Error is as follows:**

<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus		(9 023 244)
Increase / (decrease) in Work in progress		9 023 244
<b>Statement of Financial Performance:</b>		
(Increase) / decrease in Depreciation and		



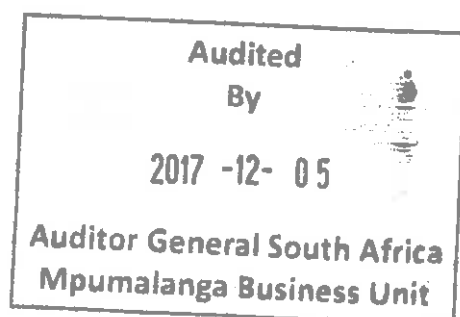
**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>Other assets</b>		
During the financial year management discovered that depreciation was not correctly calculated in prior years. Therefore we had to do this prior year correction journal. All of the above was corrected retrospectively.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus		230 478
Increase / (decrease) in Property, Plant and Equipment		(230 478)
<b>Statement of Financial Performance:</b>		(33 208)
(Increase) / decrease in Depreciation and Amortization		
	-	(33 208)
<b>Other assets - Cost price</b>		
During the financial year management discovered that Intangible assets carrying value was included in the cost price		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
Increase / (decrease) in Property, Plant and Equipment		(825 847)
(Increase) / decrease in Accumulated Surplus		825 847
	-	-
<b>Other assets - Accumulated depreciation</b>		
During the financial year management discovered that Intangible assets carrying value was included in the cost price		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
Increase / (decrease) in Property, Plant and Equipment		(1 056 327)
(Increase) / decrease in Accumulated Surplus		1 056 327
	-	-
<b>Infrastructure assets - Cost Price</b>		
During the financial year management discovered cost components of Infrastructure assets were not correctly allocated in the prior years. A journal was reversed for under investigated projects which were in the asset register but was wrongly capitalised. All of the above was corrected retrospectively.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus		(2 459 600)
Increase / (decrease) in Property, Plant and Equipment		2 459 600
<b>Statement of Financial Performance:</b>		
(Increase) / decrease in Depreciation and		
	-	-
<b>Infrastructure assets - Accumulated depreciation</b>		
During the financial year management discovered cost components of Infrastructure assets were not correctly allocated in the prior years. A journal was reversed for under investigated projects which were in the asset register but was wrongly capitalised. All of the above was corrected retrospectively.		
<b>The effect of the Correction of Error is as follows:</b>		
<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus		(9 030 261)
Increase / (decrease) in Property, Plant and Equipment		9 030 261
	-	-



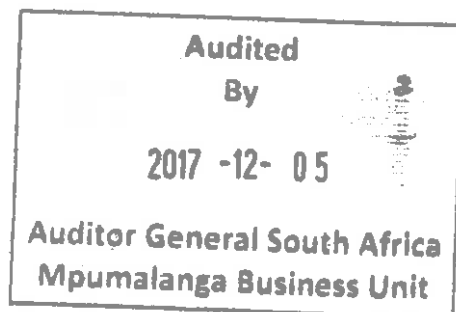
**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>36 CORRECTION OF ERROR (Continued)</b>		
<b><u>36.2 Misstatement of Expenditure in advance</u></b>		
Restatement was made to Trade Payables from Exchange - Liabilities (Payables from Exchange-Trade Payables) was understated and Expenditure (Training Fees) was understated. All of the above was corrected retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		(4 332 058)
Increase / (decrease) in Trade Payables from Exchange Transactions		2 166 029
Increase / (decrease) in Trade Receivables from Non-Exchange Transactions		2 166 029
	-	-
<b><u>36.3 Misstatement of Operating lease asset</u></b>		
Restatement was made to Trade Payables from Exchange (Liabilities) was understated and Repairs and		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		(117 635)
(Increase) / decrease in Operating lease asset		117 635
	-	-
<b><u>36.4 Misstatement of Irregular expenditure</u></b>		
Restatement was made to Irregular expenditure as it was understated. All of the above was corrected retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Irregular expenditure		26 129 262
	-	26 129 262



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>37 CHANGE IN ACCOUNTING ESTIMATES</b>		
The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.		
<b>37.1 Depreciation Expenditure:</b>		
The residual values, estimated useful lives were reviewed at 30 June 2017. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(187 321)	
<b>Increase / (Decrease) in Depreciation of PPE</b>	<u>(187 321)</u>	<u>-</u>
Depreciation as previously stated	43 454 827	
Adjustment due to Change in Accounting Estimate	(187 321)	
<b>Depreciation as per Note 30</b>	<u>43 267 506</u>	<u>-</u>
<b>38 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(13 911 870)	(27 224 156)
Adjustment for:		
Correction of Prior Year Errors	(6 647 473)	-
Depreciation and Amortisation	45 330 214	45 679 588
Impairment Losses on Property, Plant and Equipment	1 782 046	72 197 474
Losses / (Gains) on Disposal of Property, Plant and Equipment	1 412 239	(13 987 977)
Contribution to Retirement Benefit Liabilities	705 000	1 059 000
Contribution to Long Service Awards Liability	415 000	276 000
Contribution to Provisions - Current	(126 000)	(293 000)
Contribution to Provisions - Non-current	2 465 485	(15 592 764)
Contribution to Impairment Provision	<u>(29 186 185)</u>	<u>-</u>
<b>Operating surplus before working capital changes</b>	<u>2 258 436</u>	<u>62 114 165</u>
Decrease/(Increase) in Inventories	326 590	(437 573)
Decrease/(Increase) in Receivables from Exchange Transactions	3 353 679	(14 866 871)
Decrease/(Increase) in Receivables from Non-exchange Transactions	5 987 762	(8 922 010)
Decrease/(Increase) in Operating Lease Assets	140 483	-
Decrease/(Increase) in Current Portion of Provisions	2 565 113	-
Increase/(Decrease) in Consumer Deposits	55 770	-
Increase/(Decrease) in Payables from Exchange Transactions	16 379 940	6 284 346
Increase/(Decrease) in Payables from Non-exchange Transactions	(148 207)	(1 943)
Increase/(Decrease) in Conditional Grants and Receipts	(966 067)	(498 870)
Increase/(Decrease) in VAT Payable	1 471 122	(1 045 832)
<b>Cash generated by / (utilised in) Operations</b>	<u>31 424 621</u>	<u>42 627 412</u>
<b>39 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2016/17 financial year.		



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>40.1 Unauthorised Expenditure</b>		
Reconciliation of Unauthorised Expenditure:		
Opening balance	3 455 483	44 269 845
Unauthorised Expenditure current year	9 564 767	2 145 720
Approved by Council or condoned on 29 July 2017	-	(42 960 082)
Unauthorised Expenditure awaiting authorisation	<u>13 020 250</u>	<u>3 455 483</u>

The above authorised expenditure disclosed under Note 40.1 is as a result of an overspending of a vote.

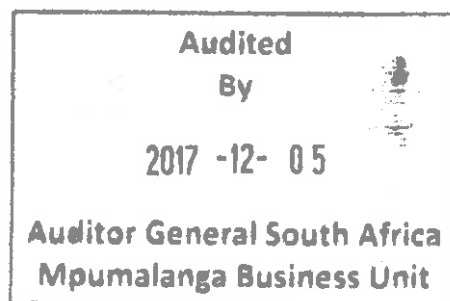
<b>40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<b>40.2 Fruitless and Wasteful Expenditure</b>		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	10 528 261	7 376 361
Fruitless and Wasteful Expenditure current year	5 472 602	4 881 687
Approved by Council or condoned	-	(1 729 787)
Approved by Council and written off after investigation	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>16 000 863</u>	<u>10 528 261</u>

Fruitless and wasteful expenditure disclosed as per Note 40.2 is as a result of interest incurred on long outstanding creditors as well as penalties from SARS.  
Prior year Fruitless and wasteful expenditure amounting to R 4 080 324 are still under investigation, Council however wrote this amount off after the financial year end.

<b>40.3 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		
Opening balance	65 875 235	21 950 973
Irregular expenditure identified by Auditor General - Prior year	-	26 129 262
Irregular Expenditure current year	413 692	21 195 973
Approved by Council and written off after investigation	-	(3 400 973)
Irregular Expenditure awaiting condonement	<u>66 288 927</u>	<u>65 875 235</u>

Irregular expenditure disclosed as per Note 40.3 above is a result of non adherence to SCM policy as well as SCM regulations. (Three quotations not obtained)  
Prior year Irregular expenditure amounting to R 23 512 067 are still under investigation, Council however wrote this amount off after the financial year end.  
Prior year Irregular expenditure amounting to R 7 198 018 are still under investigation, Council however wrote this amount off after the financial year end.

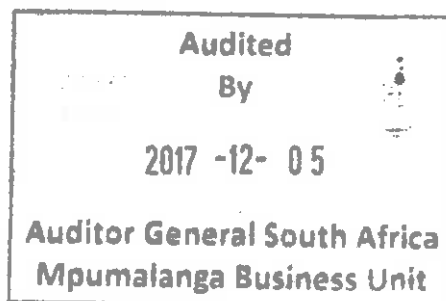
<b>41 COMMITMENTS FOR EXPENDITURE</b>		
<b>41.1 Capital Commitments</b>		
Commitments in respect of Capital Expenditure:		
- <b>Approved and Contracted for:-</b>	<b>12 866 551</b>	<b>15 672 990</b>
Infrastructure	9 552 584	13 398 845
Other	3 313 967	2 274 145
- <b>Approved but Not Yet Contracted for:-</b>		
Infrastructure	-	-
<b>Total Capital Commitments</b>	<u>12 866 551</u>	<u>15 672 990</u>
This expenditure will be financed from:		
Government Grants	12 866 551	15 672 990
	<u>12 866 551</u>	<u>15 672 990</u>
Commitments for the acquisition of Property, Plant and Equipment	<u>9 552 584</u>	<u>13 398 845</u>





**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 - Restated R
<b>42 FINANCIAL INSTRUMENTS</b>			
<b>42.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	3 690 978	17 959 563
Refuse	Amortised cost	3 099 023	
Sewerage	Amortised cost	4 878 439	
Water	Amortised cost	5 713 135	
Other Receivables	Amortised cost	6 145 388	2 213 721
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	14 726 530	9 980 028
Government Subsidy Claims	Amortised cost	399 286	324 180
Short-term Loans	Amortised cost	1 544 290	448 994
Sundry Deposits	Amortised cost	-	1 908
<b>Cash and Cash Equivalents</b>			
Notice Deposits	Amortised cost	5 292 280	8 816 558
Bank Balances	Amortised cost	2 750 119	475 759
Cash Floats and Advances	Amortised cost	27 791	13 921
<b>Current Portion of Long-term Receivables</b>			
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Receivables from Exchange Transactions	Electricity	3 690 978	17 959 563
Receivables from Exchange Transactions	Refuse	3 099 023	
Receivables from Exchange Transactions	Sewerage	4 878 439	
Receivables from Exchange Transactions	Water	5 713 135	
Receivables from Exchange Transactions	Other Debtors	6 145 388	2 213 721
Receivables from Non-exchange Transactions	Assessment Rates Debtors	14 726 530	9 980 028
Receivables from Non-exchange Transactions	Government Subsidy Claims	399 286	324 180
Receivables from Non-exchange Transactions	Short-term Loans	1 544 290	448 994
Receivables from Non-exchange Transactions	Sundry Deposits	-	1 908
Cash and Cash Equivalents	Bank Balances	2 750 119	475 759
Cash and Cash Equivalents	Notice Deposits	5 292 280	8 816 558
		<u>48 239 468</u>	<u>40 220 711</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Cash Floats and Advances	27 791	13 921
		<u>27 791</u>	<u>13 921</u>
<b>Total Financial Assets</b>		<u><u>48 267 259</u></u>	<u><u>40 234 632</u></u>



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 - Restated R
<b>42 FINANCIAL INSTRUMENTS (Continued)</b>			
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Local Registered Stock	Amortised cost		
Annuity Loans	Amortised cost		
Finance Lease Liabilities	Amortised cost		
Government Loans	Amortised cost		
Other Loans	Amortised cost		
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	82 432 676	88 742 511
Projects	Amortised cost	3 912 955	3 912 955
Retentions	Amortised cost	7 557 322	2 600 522
Other Creditors	Amortised cost	10 198 875	9 968 674
<b>Payables from Non-exchange Transactions</b>			
Sundry Deposits	Amortised cost		2 314 236
<b>Financial Liabilities at Amortised Cost:</b>			
Payables from Exchange Transactions	Trade Creditors	82 432 676	88 742 511
Payables from Exchange Transactions	Projects	3 912 955	3 912 955
Payables from Exchange Transactions	Retentions	7 557 322	2 600 522
Payables from Exchange Transactions	Other Creditors	10 198 875	9 968 674
<b>Payables from Non-exchange Transactions</b>	Sundry Deposits	-	2 314 236
		<u>104 101 828</u>	<u>107 538 898</u>
<b>Total Financial Liabilities</b>		<u>104 101 828</u>	<u>107 538 898</u>

**42.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

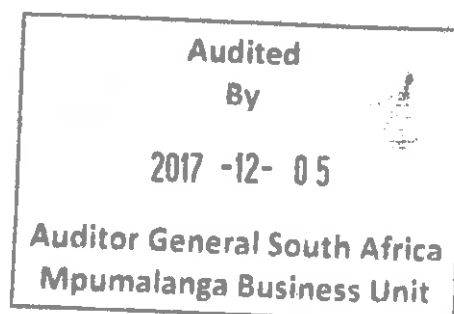
**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**                      **2016 - Restated**  
**R**

**42 FINANCIAL INSTRUMENTS (Continued)**

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	<b>30 June 2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>				
Notice Deposits	48 239 468	48 239 468	40 220 711	40 220 711
Trade Receivables from Exchange Transactions	5 292 280	5 292 280	8 816 558	8 816 558
Trade Receivables from Non-exchange Transactions	23 526 963	23 526 963	20 173 284	20 173 284
Bank Balances and Cash	16 670 106	16 670 106	10 755 110	10 755 110
	2 750 119	2 750 119	475 759	475 759
<b>Measured at Fair Value</b>				
Bank Balances and Cash	27 791	27 791	13 921	13 921
	27 791	27 791	13 921	13 921
<b>Total Financial Assets</b>	<b>48 267 259</b>	<b>48 267 259</b>	<b>40 234 632</b>	<b>40 234 632</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>				
Annuity Loans	104 101 828	104 101 828	107 538 898	107 538 898
Finance Lease Liabilities	-	-	-	-
Trade and Other Payables:	-	-	-	-
- Payables from Exchange Transactions	104 101 828	104 101 828	105 224 662	105 224 662
- Payables from Non-exchange Transactions	-	-	2 314 236	2 314 236
- Current Portion of Long-term Liabilities	-	-	-	-
<b>Total Financial Liabilities</b>	<b>104 101 828</b>	<b>104 101 828</b>	<b>107 538 898</b>	<b>107 538 898</b>
<b>Total Financial Instruments</b>	<b>(55 834 569)</b>	<b>(55 834 569)</b>	<b>(67 304 266)</b>	<b>(67 304 266)</b>
<b>Unrecognised Gain / (Loss)</b>				

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**Audited**  
**By**  
  
**2017 -12- 05**  
  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R			2016 - Restated R
<b>42 FINANCIAL INSTRUMENTS (Continued)</b>				
<b>30 June 2017</b>				
	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Bank Balances and Cash		2 777 910		2 777 910
<b>Total Financial Assets</b>		<b>2 777 910</b>		<b>2 777 910</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans				
<b>Total Financial Liabilities</b>				
<b>Total Financial Instruments</b>		<b>2 777 910</b>		<b>2 777 910</b>
<b>2016</b>				
	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	489 680		489 680
<b>Total Financial Assets</b>		<b>489 680</b>		<b>489 680</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans				
<b>Total Financial Liabilities</b>				
<b>Total Financial Instruments</b>		<b>489 680</b>		<b>489 680</b>

**Audited  
By**

**2017 -12- 05**

**Auditor General South Africa  
Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017

2016 - Restated

R

R

**42 FINANCIAL INSTRUMENTS (Continued)**

Debt is defined as Long- and Short-term Liabilities".

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**42.3 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**42.4 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

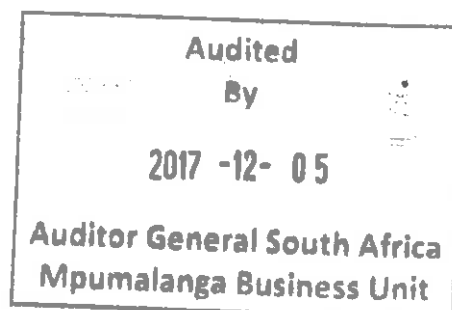
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 43.8 to the Annual Financial Statements.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017	2016 - Restated
R	R

**42 FINANCIAL INSTRUMENTS (Continued)**

**42.5 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**42.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**42.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 51.9 below:

***Cash and Cash Equivalents:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have increased / decreased by R16 129 (2016: increased / decreased by R7 240). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

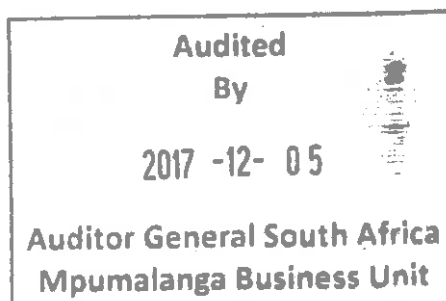
The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

***Finance Lease Liabilities:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have decreased / increased by R6 037 (2016: decreased / increased by R6 300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016 - Restated**  
**R**                                      **R**

**42 FINANCIAL INSTRUMENTS (Continued)**

**42.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	114 214 371	99 157 079
Other Debtors	85 708 480	10 755 110
Bank, Cash and Cash Equivalents	8 070 190	9 306 238

**Maximum Credit and Interest Risk Exposure**

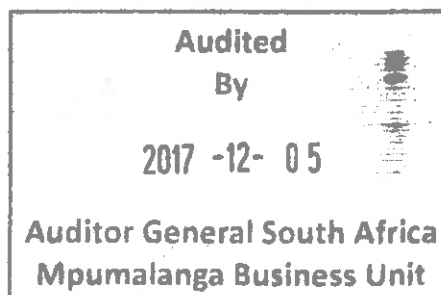
<b>207 993 042</b>	<b>119 218 427</b>
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The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	63,67%	71,19%
- Industrial / Commercial	14,25%	3,83%
- National and Provincial Government	2,45%	7,10%
Other Debtors:		
- Other not Classified	1,01%	0,71%

**Total Credit Risk**

<b>0,81</b>	<b>0,83</b>
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**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 - Restated R
<b>42 FINANCIAL INSTRUMENTS (Continued)</b>		
<b>Bank and Cash Balances</b>		
First National Bank	2 750 119	475 759
First National Bank		
First National Bank	5 292 280	8 816 557
Cash Equivalents	27 791	13 921
<b>Total Bank and Cash Balances</b>	<u>8 070 190</u>	<u>9 306 237</u>
<b>Credit quality of Financial Assets:</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external		
<b>Receivables from Exchange Transactions</b>		
Counterparties without external credit rating:-		
Group 1	5 245 720	3 567 594
Group 2	757 622	696 641
Group 3		
	<u>6 003 342</u>	<u>4 264 235</u>
<b>Total Receivables from Exchange Transactions</b>	<u>6 003 342</u>	<u>4 264 235</u>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	3 364 722	2 108 356
<b>Total Receivables from Non-exchange Transactions</b>	<u>3 364 722</u>	<u>2 108 356</u>

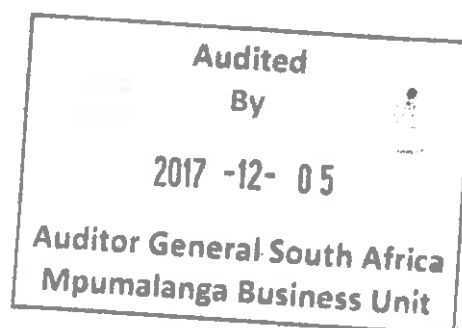
**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.





**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**42 FINANCIAL INSTRUMENTS (Continued)**

**43.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	R
<b>30 June 2017</b>								
Non-Interest Bearing								
- Payables from Exchange transactions		0,00%	104 101 828	104 101 828	-	-	-	-
- Payables from Non-exchange transactions			104 101 828	104 101 828	-	-	-	-
Fixed Interest Rate Instruments								
- FNB		5,00%	1 279 715	1 139 385	-	-	140 330	-
		5,00%	1 279 715	1 139 385	-	-	140 330	-
			<b>105 381 543</b>	<b>105 241 213</b>	-	-	<b>140 330</b>	-
<b>2016</b>								
Non-Interest Bearing								
- Payables from Exchange transactions		0,00%	107 538 898	107 538 898	-	-	-	-
- Payables from Non-exchange transactions			105 224 662	105 224 662	-	-	-	-
			2 314 236	2 314 236	-	-	-	-
Fixed Interest Rate Instruments								
- FNB		5,00%	1 426 386	1 284 789	-	-	141 597	-
		5,00%	1 426 386	1 284 789	-	-	141 597	-
			<b>108 965 284</b>	<b>108 823 687</b>	-	-	<b>141 597</b>	-
<b>42.9 Other Price Risks</b>								
				6	12	36		

**Audited**  
**By**  
**2017 -12- 05**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**43 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

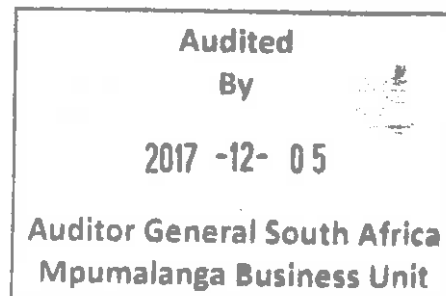
- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 616 859 (2016: R7 881 110) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The total expense recognised in the Statement of Financial Performance of R8 616 859 (2016: R7 881 110) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2017, contributions of R8 000 (2016: R8 000) due in respect of the 2016/17 (2015/16) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the reporting date (see Note 45.5).



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

**44 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**44.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

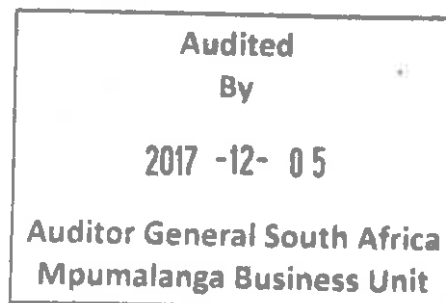
Name of Related Person	Designation	Description of Related Party Relationship
E.K. Tshabalala	Municipal Manager	
I.M. Abdullah	Corporate Manager	
L.O. Sindane	Technical Manager	
N. Singh	Community Services Manager	
L.D. Mkhonza	Planning and Developmental Services Manager	
M.M. Ngwenya (Resigned 31 July 2017)	Chief Financial Officer	
<b>New members of council - Appointed 13 August 2017</b>		
T.D. Ngwenya	Executive Mayor	
Ms. N.A. Mashele	Speaker	
Mr. NT Masha	Chief Whip	Nyameni Trading
Mr. SS Mthlunywe	Mayoral Committee Members	Chicken Dust Catering
Mrs. TE Scheffers	Mayoral Committee Members	
Ms. M Kambula	Mayoral Committee Members	
Mr. TC Ngomane	Councillor	
Mr. MP Ntuli	Councillor	
Mr. XD Masina	Councillor	
Mrs. AA Botha	Councillor	
Mr. SS Tshabalala	Councillor	
Mr. DM Sheffers	Councillor	
Mr. SI Skhosana	Councillor	
Mrs. R Ndlovu	Councillor	
Ms. A.N. Makua (Deceased 19/03/2017)	Councillor	
Mr. J.M. Ndlovu (Contract ended 24/11/2016)	Councillor	
Ms. T.J. Duma (Elected 29/06/2017)	Councillor	
<b>Members of council (Outgoing)</b>		
Mr. X.S. Ngwenya	Executive Mayor	
Ms. M.Kambula	Speaker	
Mr. S.M. Mondlane	Chief Whip	
Mr. M.U. Hadebe	Mayoral Committee Members	
Ms. M.S. Mashele	Mayoral Committee Members	
Ms. M.S. Radebe	Mayoral Committee Members	
Mrs A.A. Botha	Councillor	
Mrs. S.P. Gwebu	Councillor	
Mr. R.B. Mashele	Councillor	
Mr. C.V. Lello	Councillor	
Ms. B.S. Mabuza	Councillor	
Mr. X.D. Masina	Councillor	
Mr. M.P. Ntuli	Councillor	
Ms. C.N. Nkosi	Councillor	Tihlangene Trading Enterprise
Mr. J.J. Stevens	Councillor	

**44.2 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

**44.3 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

**44 RELATED PARTY TRANSACTIONS (Continued)**  
**44.4 Purchases from Related Parties**

The municipality did not buy goods from any companies which can be considered to be Related Parties.

**45 CONTINGENT LIABILITIES - 2017**

Herewith is a list of possible liability claims where the outcome was unknown at year end.

**1) J.J. Nelson**

J.J. Nel is a plaintiff, claiming for personal injuries and damages amounting to R 1,800,000.00 incurred during an accident. A settlement was reached in the current year.

**2) M. Saunders**

M. Saunders is a plaintiff, claiming R 250,000.00 for personal injuries she sustained in an accident in Dullstroom. Matter was before court on the 6 June 2017 and further postponed finally to the 13 June 2017. Heads of argument file and we are waiting for the judgment.

**3) SAMWU**

SAMWU took legal action against Emakhazeni Local Municipality due to the unprotected strike the Municipality employee's embarked on without any prior engagement or disputes. We have proceeded to re-issue a Warrant of Execution against the Property. A writ has been re-issued. The claim is for the amount of R 10,000

**4) Road Freight Association**

The Emakhazeni Local Municipality has entered into the service level agreement with Emakhazeni Municipality Fire and Emergency Services on 03 January 2013. In terms of the agreement Emakhazeni Fire and Emergency Services was expected to render fire and emergency services for and on behalf of the municipality. It is evident that there were acts committed by Emakhazeni Fire and Emergency Services that led to the institution of the legal action by the Road Freight Association against the municipality and others. The road freight association requested the court to invoke the provisions of section 1, 9 and 10 of the Fire Brigade Service Act, Act 99 of 1987 of charging the fee to trucking companies for the purported performance of "primary Incident Management services" and "Scene safety Services" in the manner described and in the circumstances articulated.

The court has ordered the municipality to pay costs of the application and Applicants have since been given permission to proceed with Class Action against the Respondents. The Applicants have proposed a settlement negotiation which we have agreed on, we await a date of the meeting from the Applicants.

The court handed down cost order against the municipality. Applicants have also been given permission to proceed with class action.

The claim is for the amount of R10 500 000.00 (This amount include ordered costs, class action should they proceed and our costs)

**5) C. Zimu**

A lawsuit was received from the family attorneys for negligence on the side of the municipality and liability claim amounting to R 1,500,000. A settlement was reached in the current year.

**6) Magoveni Business Trust**

Magoveni Holdings claim that the municipality appointed them with a letter dated 06 May 2013 and entered into a service level agreement on the 15th May 2013 for a period of three year where in Magoveni was to assist the municipality with the provision of credit control and debt collection support. The contract was terminated by the municipality. #

A Bill of Costs was proceeded with however the court file has been misplaced we are attempting to relocate it should we fail we will re-issue. The matter is set down for 1 August 2017 to argue the second Exception. We await further instructions regarding freezing of the banking account of Magoveni

The claim is for the amount of R 400,000

**7) S Ngubeni**

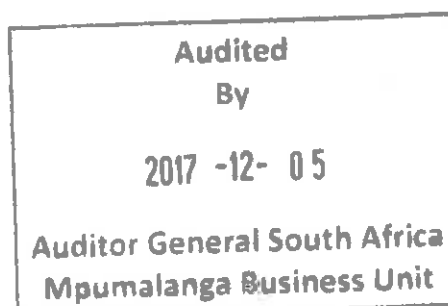
This claim relates to Mr. S Ngubeni who were ordered to vacate a illegally occupied property. Eviction order granted against the illegal occupants, The claim is for the amount of R 30,000

**8) PE Fakude**

The court ordered PE Fakude to pay the claimed amounts plus interest and taxed cost. We await further instruction for the municipality. We are proceeding to collect as per the court order The claim is for the amount of R 50,000

**9) BJ Mashifane**

We have proceeded with a writ to attach monies held by the municipality in favour of BJ Mashifane to satisfy the judgment that was granted against BJ Mashifane. We await an issued writ from court. We have proceeded with the writ to attach monies held by the municipality in favour of BJ Mashifane. The claim is for the amount of R 15,000



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

**10) Vivian De Klerk**

We have proceeded to file the Notice of Intention to Defend.  
A Notice of Intention to Defend has been filed.  
The claim is for the amount of R 350,000

**11) Shatadi Auctioneers**

The municipality is in a legal dispute with Shatadi Auctioneers where the municipality are suing the Auctioneers for an amount of R 756 296.44  
An amount of R 110 000 was already paid by Shatadi Auctioneers

**12) Magnovolt Trading**

The municipality is in a legal dispute with Magnovolt Trading  
This matter has been settled

**13) Louis Peter De Jager**

The municipality is in a legal dispute with Louis Peter De Jager  
This matter has been settled at an amount of R 54 000

**14) Parimolapo Developers CC**

The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves have been unlawfully terminated. The claim is for the amount of R 760 000.  
The settlement was reached in the prior year.

**45 CONTINGENT LIABILITIES - 2016**

Herewith is a list of possible liability claims where the outcome was unknown at year end.

**1) J.J. Nelson**

J.J. Nel is a plaintiff, claiming for personal injuries and damages amounting to R 638,315 Incurred during an accident.

**2) M. Saunders**

M. Saunders is a plaintiff, claiming R 100,000.00 for personal injuries she sustained in an accident in Dullstroom.

**3) SAMWU**

SAMWU took legal action against Emakhazeni Local Municipality due to the unprotected strike the Municipality employee's embarked on without any prior engagement or disputes

**4) Road Freight Association**

The Emakhazeni Local Municipality has entered into the service level agreement with Emakhazeni Municipality Fire and Emergency Services on 03 January 2013. In terms of the agreement Emakhazeni Fire and Emergency Services was expected to render fire and emergency services for and on behalf of the municipality. It is evident that there were acts committed by Emakhazeni Fire and Emergency Services that led to the institution of the legal action by the Road Freight Association against the municipality and others. The road freight association requested the court to invoke the provisions of section 1, 9 and 10 of the Fire Brigade Service Act, Act 99 of 1987 of charging the fee to trucking companies for the purported performance of "primary incident Management services" and "Scene safety Services" in the manner described and in the circumstances articulated.

**5) Parimolapo Developers CC**

The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves have been unlawfully terminated. The claim is for the amount of R 892 774.  
The settlement was reached in the prior year.

**6) ELMIR Holdings**

This claim relates to the land that was sold to plaintiff with R 500 000 next to the hospital for the purposes of development. It was then later realised that two portions does not belong to the Municipality but to a private owner. The claim is for the amount of R 1 500 000 as the plaintiff added expenses incurred for designs and studies.  
A settlement was reached in the prior year.

**7) C. Meadow**

Municipality received a claim damages for collision of Municipal TLB driven by Franca Mahlangu and a vehicle. The claim is for the amount of R 48 000.  
A settlement was reached in the prior year and paid.

**8) C. Zimu**

A lawsuit was received from the family attorneys for negligence on the side of the municipality and liability claim is anticipated to not exceed R 500,000

**9) Magoveni Business Trust**

Magoveni Holdings claim that the municipality appointed them with a letter dated 06 May 2013 and entered into a service level agreement on the 15th May 2013 for a period of three year where in Magoveni was to assist the municipality with the provision of credit control and debt collection support. The contract was terminated by the municipality.  
The claim is for the amount of R 3 144 235

**46 CONTINGENT ASSETS**

**1) SAMWU (Provident Fund)**

Emakhazeni Local municipality has taken a legal action against SAMWU (Provident Fund) as they are to refund R 3 100 000 for Provident Fund

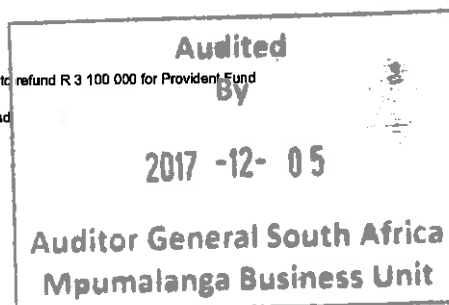
Contributions made towards members who were transferred to the Municipality Employee Pension Fund

**47 EVENTS AFTER THE REPORTING DATE**

Resignation of the Chief Financial officer Ms. M.M. Ngwenya

**48 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 36).



**EMAKHAZENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
**R**

**2016**  
**R**

**4.1 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 27 February 2017 Council adopted the 2017/18 to 2019/20 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strictly cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting highlighting the actual cash position including the associated risk and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges this will result in an ongoing in flow of revenue to support the continuing delivery of municipal services. Certain key financial ratios such as liquidity, cost recovery, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**Audited  
By  
2017 -12- 05  
Auditor General South Africa  
Mpumalanga Business Unit**

**APPENDIX B**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017										
Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings										
Land	3 781 354	-	-	-	3 781 354	-	-	-	-	3 781 354
Buildings	161 607 413	9 647 331	-	(365 276)	170 889 408	96 513 883	4 897 382	(347 012)	101 064 254	69 825 215
Total	165 388 767	9 647 331	-	(365 276)	174 670 822	96 513 883	4 897 382	(347 012)	101 064 254	73 606 569
Infrastructure										
Electricity										
LV Network	78 935 927	654 547	5 131 569	-	84 722 043	41 804 782	3 336 951	-	45 141 733	39 580 310
MV Network	57 479 281	1 661 157	-	-	59 140 438	28 451 170	1 291 601	-	27 742 771	31 397 667
Substation	30 988 688	2 645 471	-	(205 138)	33 429 022	16 176 041	966 280	(119 483)	17 022 838	16 406 183
Roads										
Road Structures	380 478 525	3 648 596	-	(1 435 355)	382 691 767	159 777 232	10 735 777	(779 025)	169 733 985	212 957 782
Road Surface	270 860	274 368	-	-	545 228	75 454	8 055	-	83 509	461 720
Roads and Stormwater	7 206 418	-	-	-	7 206 418	283 028	228 736	-	511 764	6 694 664
Storm Water	39 892 357	-	-	-	39 892 357	19 302 077	664 873	-	19 966 950	19 925 408
Traffic Management	2 464 793	-	-	(15 656)	2 449 136	1 297 383	120 092	(7 851)	1 409 625	1 039 511
Sanitation										
Collection / Retreatment Network	195 581 875	3 398 892	4 496 904	-	203 475 670	91 847 814	3 929 887	-	95 777 701	107 695 969
Sanitation	-	987 029	-	-	987 029	-	15 545	-	15 545	977 864
Sewage Pump Stations	20 973 084	-	-	(232 971)	20 740 113	6 115 631	1 033 352	(225 205)	6 932 778	13 516 335
Waste Water Treatment Plant	77 909 810	10 821 946	-	(536 462)	88 105 294	36 034 099	3 789 787	(407 636)	39 416 253	48 318 644
Solid Waste										
Landfill site	35 318 545	-	12 738	-	48 057 283	19 941 286	2 847 641	-	22 788 927	12 542 357
Water										
Boreholes	11 888 888	329 761	15 999 145	(18 520)	28 109 274	2 303 513	486 709	(17 903)	2 772 319	25 426 054
Distribution / Retreatment Network	158 119 581	7 458 585	-	-	165 578 166	86 310 491	3 357 526	-	89 668 017	75 910 149
Dam and Weirs	1 249 281	793 747	-	-	2 043 028	25 054	24 986	-	50 040	1 992 968
Water Pump Stations	42 024 160	-	-	(1 893 198)	40 130 962	23 519 548	1 829 608	(1 574 030)	23 775 125	16 555 038
Water Storage	65 565 496	483 670	-	(76 817)	65 972 350	28 451 138	1 486 165	(74 257)	29 863 047	36 109 303
Water Treatment Plant	29 125 886	10 326 162	-	(573 703)	38 878 345	8 586 786	2 137 271	(419 570)	10 304 487	28 573 869
Total	1 235 453 457	43 483 931	25 640 358	(4 987 821)	1 299 599 923	568 302 528	38 290 841	(3 624 959)	602 968 419	696 571 513

Other Assets	COMPUTER EQUIPMENT	2 404 151,56	674 149,40	(168 224,01)	2 916 076,95	1 250 453,08	259 013,61	(146 936,58)	1 357 530,11	1 647 546,34
	COMPUTER EQUIPMENT	22 354 719,83	3 294 114,00	-	25 648 833,83	5 336 968,11	999 354,26	-	6 336 322,37	10 312 511,40
MOTOR VEHICLES	MOTOR VEHICLES	117 090,48	20 803,86	-	137 894,32	72 704,86	10 336,48	-	81 041,34	54 852,88
	MOTOR VEHICLES	790 186,11	-	-	778 202,11	455 929,23	64 738,29	(9 120,94)	511 546,56	266 721,53
OFFICE EQUIPMENT	OFFICE EQUIPMENT	3 858 166,63	286 971,43	(11 924,00)	4 122 473,75	2 175 089,33	301 795,37	(15 641,27)	2 461 227,44	1 051 246,35
	OFFICE EQUIPMENT	355 711,00	-	-	355 711,00	173 608,33	31 498,22	-	205 106,55	150 904,41
PLANT AND EQUIPMENT	PLANT AND EQUIPMENT	708 447,76	-	-	708 447,76	220 458,53	79 378,59	-	299 827,13	408 810,52
	PLANT AND EQUIPMENT	2 067 070,31	-	-	2 067 070,31	1 121 387,87	195 676,65	-	1 317 064,52	750 005,79
GARDEN EQUIPMENT	GARDEN EQUIPMENT	32 655 544	4 737 249	(202 812)	37 189 980	10 806 579	1 952 035	(171 699)	12 566 815	24 003 965
	GARDEN EQUIPMENT	1 433 497 768	57 868 511	(5 555 909)	1 531 430 725	675 622 990	45 140 258	(4 143 670)	716 619 579	794 831 147
RESCUE/FIRE EQUIPMENT	RESCUE/FIRE EQUIPMENT	-	-	-	-	-	-	-	-	-
	RESCUE/FIRE EQUIPMENT	-	-	-	-	-	-	-	-	-
Total	Total	32 655 544	4 737 249	(202 812)	37 189 980	10 806 579	1 952 035	(171 699)	12 566 815	24 003 965
	Total	1 433 497 768	57 868 511	(5 555 909)	1 531 430 725	675 622 990	45 140 258	(4 143 670)	716 619 579	794 831 147

**EMAKHAZENI LOCAL MUNICIPALITY  
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R
Land	84 185 958	-	-	84 185 958	-	-	-	-	84 185 958
Buildings	110 870 226	-	-	110 870 226	-	-	-	-	110 870 226
Total	195 056 184	-	-	195 056 184	-	-	-	-	195 056 184



**EMAKHAZENI LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R
Computer Software	2 491 155	-	-	-	2 491 155	1 665 400	144 402	-	1 809 802	681 353
Total	2 491 155	-	-	-	2 491 155	1 665 400	144 402	-	1 809 802	681 353
Total Asset Register	1 631 025 106	57 868 511	25 640 356	(5 555 909)	1 708 978 063	677 288 390	45 284 660	(4 143 670)	718 428 381	990 548 683

**APPENDIX C**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation				Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R
Executive and Council	-	-	-	-	-	677 525 264	45 313 487	-	-
Finance and Administration	1 630 011 791	60 728 046	32 971 044	(5 555 909)	1 718 154 972	-	-	(4 143 670)	718 695 081
Community and Social Services	-	-	-	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 630 011 791</b>	<b>60 728 046</b>	<b>32 971 044</b>	<b>(5 555 909)</b>	<b>1 718 154 972</b>	<b>677 525 264</b>	<b>45 313 487</b>	<b>(4 143 670)</b>	<b>718 695 081</b>
This appendix does not form part of the annual financial statements.									
									<b>999 459 891</b>

**APPENDIX D**  
**EMAKHAZENI LOCAL MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income R	2016 Budgeted Income R	2016 Actual Expenditure R	2016 Budgeted Expenditure R	2016 Surplus/ (Deficit) R	Description	2017 Actual Income R	2017 Budgeted Income R	2017 Actual Expenditure R	2017 Budgeted Expenditure R	2017 Surplus/ (Deficit) R
235 494 647	219 901 968	276 992 780	241 445 754	(41 498 133)	- Executive and Council Finance and Administration - Community and Social Services - Technical Services	261 670 384	270 051 815	270 935 517	264 000 943	(9 265 133)
235 494 647	219 901 968	276 992 780	241 445 754	(41 498 133)	<b>Total</b>	261 670 384	270 051 815	270 935 517	264 000 943	(9 265 133)

This appendix does not form part of the annual financial statements.

**APPENDIX E(1)**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17						Actual Outcome as % of Original Budget R
	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Final Budget R	Actual Outcome R	Variance R	
<b>REVENUE - STANDARD</b>							
Governance and Administration:							
Executive and Council	-	-	-	-	-	-	0.00
Budget and Treasury Office	-	-	-	-	-	-	0.00
Corporate Services	-	-	-	-	-	-	0.00
<b>Community and Public Safety:</b>							
Community and Social Services	-	-	-	-	-	-	0.00
Public Safety	-	-	-	-	-	-	0.00
Housing	-	-	-	-	-	-	0.00
Road Transport	-	-	-	-	-	-	0.00
<b>Trading Services:</b>							
Electricity	272 518 255	(2 466 440)	270 051 815	270 051 815	261 670 384	(8 381 431)	96.02
Water	-	-	-	-	-	-	0.00
Waste Water Management	-	-	-	-	-	-	0.00
Waste Management	-	-	-	-	-	-	0.00
<b>Total Revenue - Standard</b>	<b>272 518 255</b>	<b>(2 466 440)</b>	<b>270 051 815</b>	<b>270 051 815</b>	<b>261 670 384</b>	<b>(8 381 431)</b>	<b>96.02</b>
<b>EXPENDITURE - STANDARD</b>							
Governance and Administration:							
Executive and Council	-	-	-	-	-	-	0.00
Budget and Treasury Office	-	-	-	-	-	-	0.00
Corporate Services	-	-	-	-	-	-	0.00
<b>Community and Public Safety:</b>							
Community and Social Services	-	-	-	-	-	-	0.00
Sport and Recreation	-	-	-	-	-	-	0.00
Public Safety	-	-	-	-	-	-	0.00
Housing	-	-	-	-	-	-	0.00
<b>Economic and Environmental Services:</b>							
Road Transport	-	-	-	-	-	-	0.00
<b>Trading Services:</b>							
Electricity	260 881 343	3 119 600	264 000 943	264 000 943	270 935 517	6 934 574	102.63
Water	-	-	-	-	-	-	0.00
Waste Water Management	-	-	-	-	-	-	0.00
Waste Management	-	-	-	-	-	-	0.00
<b>Total Expenditure - Standard</b>	<b>260 881 343</b>	<b>3 119 600</b>	<b>264 000 943</b>	<b>264 000 943</b>	<b>270 935 517</b>	<b>6 934 574</b>	<b>102.63</b>
<b>Surplus/(Deficit) for the year</b>	<b>11 636 912</b>	<b>(5 566 040)</b>	<b>6 050 872</b>	<b>6 050 872</b>	<b>(9 265 133)</b>	<b>(15 316 005)</b>	<b>0.00</b>
This appendix does not form part of the annual financial statements.							
					4 646 737		

**APPENDIX E (2)**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017									
Description	2016/17								
	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
REVENUE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	-	-	-	0.00	0.00
Vote 2 - FINANCE & ADMIN	272 518 255	(2 466 440)	270 051 815	270 051 815	261 670 384	-	(8 381 431)	96,90	96,02
Vote 3 - COMMUNITY SERVICES	-	-	-	-	-	-	-	0.00	0.00
Vote 4 - TECHNICAL SERVICES	-	-	-	-	-	-	-	0.00	0.00
Total Revenue by Vote	272 518 255	(2 466 440)	270 051 815	270 051 815	261 670 384	-	(8 381 431)	96,90	96,02
EXPENDITURE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	-	-	-	0.00	0.00
Vote 2 - FINANCE & ADMIN	260 881 343	3 119 600	264 000 943	264 000 943	275 582 254	11 581 311	11 581 311	104,39	105,64
Vote 3 - COMMUNITY SERVICES	-	-	-	-	-	-	-	0.00	0.00
Vote 4 - TECHNICAL SERVICES	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure by Vote	260 881 343	3 119 600	264 000 943	264 000 943	275 582 254	11 581 311	11 581 311	104,39	105,64
Surplus/(Deficit) for the year	11 636 912	(5 586 040)	6 050 872	6 050 872	(13 911 870)	(11 581 311)	(19 962 742)	0.00	0.00
This appendix does not form part of the annual financial statements									

This appendix does not form part of the annual financial statements.

**APPENDIX F**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**  
**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenses				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	21 599 000	-	16 313 000	13 925 067	-	-	-	51 837 067	N/A	Yes	N/A
FMG	Nat Treasury	1 825 000	-	-	-	-	-	-	2 279 140	N/A	Yes	N/A
INEP	Nat Treasury	2 700 000	2 700 000	2 600 000	-	-	894 297	2 085 996	5 019 321	N/A	Yes	N/A
M/G Projects	MIG	9 615 000	-	15 789 000	-	351 423	9 224 911	2 708 570	9 761 719	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	-	-	-	-	-	-	-	-	N/A	Yes	N/A
EDSMG	Province	-	-	-	-	-	-	-	-	N/A	Yes	N/A
MSIG	DPLG	-	-	-	-	-	-	-	-	N/A	Yes	N/A
EPWP Incentive Grant	Province	304 000	547 000	366 000	-	301 458	313 368	395 166	207 008	N/A	Yes	N/A
Library Grant	Province	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Sports Facilities - Noupoot	Lotto	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Water Management Grant	DBSA	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Blue Water Drop Project	Other	-	-	-	-	-	-	-	-	N/A	Yes	N/A
<b>Total Grants and Subsidies Received</b>		<b>36 043 000</b>	<b>3 247 000</b>	<b>35 068 000</b>	<b>13 925 067</b>	<b>652 881</b>	<b>10 432 575</b>	<b>5 189 732</b>	<b>69 104 255</b>			
This appendix does not form part of the annual financial statements.												
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

**APPENDIX G**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2017

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
<b>Mayor</b>				
T.D. Ngwenya	379 931	-	271 711	651 643
<b>Other Councillors - New</b>				
N.A Mashele	308 875	-	218 581	527 456
M Kambula	305 627	-	189 988	495 615
TC Ngomane	138 494	-	105 844	244 338
MP Ntuli	154 254	-	144 603	298 857
XS Masina	154 254	-	150 792	305 046
SS Mthimunya	305 627	-	192 751	498 379
NT Masha	154 254	-	144 603,31	298 857
TE Scheffers	289 007	-	206 842	495 848
AA Botha	138 494	-	105 844	244 338
3 Tshabalala	138 494	-	105 844	244 338
DM Sheffers	95 156	-	76 715	171 871
SI Skhosana	138 494	-	105 844	244 338
R Ndlovu	138 494	-	111 770	250 264
<b>Other Councillors - Old</b>				
<b>Mayor</b>				
Mr. X.S.H. Ngwenya	32 200	-	52 621	84 821
Mr. M.U. Hadebe	25 787	-	38 672	64 460
Ms. N.A. Mashele	27 360	-	37 087	64 447
Ms. E.S. Radebe	27 751	-	36 691	64 442
Mrs A.A. Botha	11 627	-	15 985	27 612
Ms. M.Kambula	41 146	-	24 230	65 376
Mr. R.B. Mashele	15 503	-	10 812	26 315
Mr. J.J. Stevens		-	1 019	1 019
Ms. C.N. Nkosi	14 324	-	11 950	26 273
Mr. X.D. Masina	11 627	-	15 985	27 612
Mr. S.M. Mondlane	15 503	-	10 812	26 315
Mrs. S.P. Gwebu	9 265	-	18 368	27 633
Mr. C.V. Lello	11 627	-	15 985	27 612
Ms. B.S. Mabuza	11 627	-	15 988	27 615
Ms. M.P. Ntuli	11 627	-	15 985	27 612
<b>Total for Councillors</b>	<b>3 106 428</b>	<b>-</b>	<b>2 453 926</b>	<b>5 560 354</b>
<b>Municipal Manager</b>				
E.K. Tshabalala	633 098	-	393 359	1 026 457
<b>Chief Financial Officer</b>				
M.M. Ngwenya	466 464	-	279 499	745 963
<b>Manager: Technical Services</b>				
L.O. Sindane	452 385	-	309 941	762 326
<b>Manager: Corporate Services</b>				
I.M. Abdullah	399 671	-	361 999	761 670
<b>Manager: Community Services</b>				
N. Singh	349 250	-	270 488	619 738
<b>Manager: Planning and Developmental Services</b>				
L.D. Mkhonza	940 376	-	294 664	698 431

**APPENDIX G**  
**EMAKHAZENI LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

<b>Total for Senior Managers</b>	2 704 635	-	1 909 950	4 614 585
<b>Total for Management</b>	5 811 063	-	4 363 876	10 174 939

30 June 2016

<b>Incumbent</b>	<b>Basic Salaries</b>	<b>Bonuses</b>	<b>Allowances</b>	<b>Total Remuneration</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Mayor</b>				
Mr. X.S.H. Ngwenya	374 703	-	363 579	738 282
<b>Other Councillors</b>				
Mr. M.U. Hadebe	299 871	-	259 846	559 717
Ms. N.A. Mashele	318 262	-	241 318	559 580
Ms. E.S. Radebe	322 833	-	236 715	559 548
Ms. A.A. Botha	134 918	-	104 632	239 550
Ms. M.Kambula	478 734	-	115 941	594 675
Mr. R.B. Mashele	170 936	-	68 511	239 447
Mr. J.J. Stevens	67 216	-	152 796	220 012
Ms. C.N. Nkosi	166 114	-	73 351	239 465
Mr. X.D. Masina	134 918	-	104 632	239 550
Mr. S.M. Mondlane	179 891	-	111 210	291 101
Mrs. S.P. Gwebu	107 313	-	132 442	239 755
Mr. C.V. Lello	134 918	-	104 632	239 550
Ms. B.S. Mabuza	134 918	-	104 632	239 550
Ms. M.P. Ntuli	153 200	-	107 284	260 484
<b>Total for Councillors</b>	3 178 745	-	2 281 521	5 460 266
<b>Municipal Manager</b>				
E.K. Tshabalala	463 871	-	254 365	718 236
<b>Chief Financial Officer</b>				
M.M. Ngwenya	453 252	-	243 470	696 722
<b>Manager: Technical Services</b>				
I.O. Sindane	436 593	-	258 550	695 143
<b>Manager: Corporate Services</b>				
I.M. Abdullah	389 621	-	309 116	698 737
<b>Manager: Community Services</b>				
N. Singh	398 329	-	298 442	696 771
<b>Manager: Planning and Developmental Services</b>				
L.D. Mkhonza	436 664	-	283 056	719 720
<b>Total for Senior Managers</b>	5 757 075	-	3 928 520	9 685 595
<b>Total for Management</b>	8 935 820	-	6 210 041	15 145 861

This appendix does not form part of the annual financial statements.



# **APPENDIX H** **EMAKHAZENI LOCAL MUNICIPALITY** **RATIO ANALYSIS**

30 June 2017

RATIO		NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS
1. FINANCIAL POSITION				" R 000 "
A. Asset Management/Utilisation				
1	Capital Expenditure to Total Expenditure	10% - 20%		12%
			Total Operating Expenditure	270 935 517
			Taxation Expense	-
			Total Capital Expenditure	57 407 301
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		
			PPE, Investment Property and Intangible Impairment	31 189 431
			PPE at carrying value	794 380 178
			IP at carrying value	195 036 184
			Intangible Assets at carrying value	681 353
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		
			Total Repairs and Maintenance Expenditure	3 355 575
			PPE at carrying value	794 380 178
			Investment Property at Carrying value	195 036 184
B. Debtors Management				
1	Collection Rate	95%		
			Gross Debtors closing balance	114 214 371
			Gross Debtors opening balance	99 157 079
			Bad debts written Off	-
			Billed Revenue	86 022 235
2	Bad Debts Written-off as % of Provision for Bad Debt	100%		0%
			Consumer Debtors Bad debts written off	-
			Consumer Debtors Current bad debt Provision	-90 687 408
3	Net Debtors Days	30 days		
			Gross debtors	114 214 371
			Bad debts Provision	90 687 408
			Billed Revenue	86 022 235
C. Liquidity Management				
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		
			Cash and cash equivalents	8 070 150
			Unspent Conditional Grants	-
			Overdraft	-
			Short Term Investments	-
			Total Annual Operational Expenditure	206 625 551
2	Current Ratio	1.5 - 2:1		
			Current Assets	50 894 888
			Current Liabilities	144 192 907

## APPENDIX H EMAKHAZENI LOCAL MUNICIPALITY RATIO ANALYSIS

### D. Liability Management

1	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid	3%
			Redemption	5 472 602
			Total Operating Expenditure	206 625 551
			Taxation Expense	-
2	Debt (Total Borrowings) / Revenue	45%	Total Debt	0%
			Total Operating Revenue	261 670 384
			Operational Conditional Grants	88 535 067

### E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and cash Equivalents	8 070 190
			Unspent Grants	-
			Net Assets	870 738 213
			Accumulated Surplus	-26 322 700

## 2. FINANCIAL PERFORMANCE

### A. Efficiency

1	Net Operating Surplus Margin	= or > 0%	Total Operating Revenue	261 670 384
			Depreciation - Revenue (Only populate if depreciation line item in the Statement of Financial Performance is)	-
			Total Operating Expenditure	270 935 517
			Taxation Expense	-
2	Net Surplus /Deficit Electricity	0% - 15%	Total Electricity Revenue	8%
			Total Electricity Expenditure	51 595 507
				47 336 635
3	Net Surplus /Deficit Water	= or > 0%	Total Water Revenue	100%
			Total Water Expenditure	14 213 696
				-
4	Net Surplus /Deficit Refuse	= or > 0%	Total Refuse Revenue	100%
			Total Refuse Expenditure	10 058 594
				-
5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%	Total Sanitation and Water Waste Revenue	100%
			Total Sanitation and Water Waste Expenditure	10 154 438
				-

### B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%	Number of units purchased and/or generated	17%
			Number of units sold	24 324 689
				20 296 809
2	Water Distribution Losses (Percentage)	15% - 30%	Number of kilolitres purchased and/or purified	57%
			Number of kilolitres sold	3 096 552
				1 320 343

# **APPENDIX H** **EMAKHAZENI LOCAL MUNICIPALITY** **RATIO ANALYSIS**

## **C. Revenue Management**

1	Revenue Growth (%)	= CPI		11%
			CPI	7%
			Total Revenue (Previous)	235 494 647
			Total Revenue (Current)	261 670 384
3	Revenue Growth (%) - Excluding capital grants	= CPI		6%
			CPI	6%
			Total Revenue Excl.Capital (Previous)	163 329 786
			Total Revenue Excl.Capital (Current)	173 135 317

## **D. Expenditure Management**

1	Creditors Payment Period (Trade Creditors)	30 days		
			Trade Creditors	82 432 676
			Contracted Services	4 096 017
			Repairs and Maintenance	3 355 575
			General expenses	41 483 708
			Bulk Purchases	47 336 635
			Capital Credit Purchases (Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)	57 407 301
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	29 021 113
			Total Operating Expenditure	270 935 517
			Taxation Expense	-
3	Remuneration as % of Total Operating Expenditure	25% - 40%		34%
			Employee/personnel related cost	87 617 048
			Councillors Remuneration	5 560 353
			Total Operating Expenditure	270 935 517
			Taxation Expense	-
4	Contracted Services % of Total Operating Expenditure	2% - 5%		2%
			Contracted Services	4 096 017
			Total Operating Expenditure	270 935 517
			Taxation Expense	-

## **E. Grant Dependency**


1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		261%
			Internally generated funds	149 652 883
			Borrowings	-
			Total Capital Expenditure	57 407 301
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		261%
			Internally generated funds	149 652 883
			Total Capital Expenditure	57 407 301
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		58%
			Total Revenue	261 670 384
			Government grant and subsidies	88 535 067
			Public contributions and Donations	21 792 000
			Capital Grants	-


## APPENDIX H EMAKHAZENI LOCAL MUNICIPALITY RATIO ANALYSIS

### 3. BUDGET IMPLEMENTATION


1	Capital Expenditure Budget Implementation Indicator	95% - 100%	Actual Capital Expenditure	57 407 301
			Budget Capital Expenditure	78 179 039
2	Operating Expenditure Budget Implementation Indicator	95% - 100%	Actual Operating Expenditure	270 935 517
			Budget Operating Expenditure	264 000 943
3	Operating Revenue Budget Implementation Indicator	95% - 100%	Actual Operating Revenue	227 049 384
			Budget Operating Revenue	192 106 515
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%	Actual Service Charges and Property Rates Revenue	139 482 125
			Budget Service Charges and Property Rates Revenue	121 591 987

#### Interpretation of results

 The green colour indicates that the result is within the norm and is acceptable

 The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.

 Data should be captured in the blue colour cell to calculate a ratio.

 In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

This appendix does not form part of the annual financial statements.

**DEVIATION REPORT FOR THE FINANCIAL YEAR 2016/17**

No.	Description of services required	Requesting department	Approved service provider	Value of project / services/ goods	Reasons for deviation	Date of decision
1	Books and Ordinances	Community Services	Magna Business Consulting (Pty)Ltd	29 959,20	Goods only available from a single provider only	17/06/2016
2	Hiring of a 12m cherry picker	Technical Department	Kgwebiswano Supplies & Service	2 280,14	Emergency	23/06/2016
3	Supply pole mounted transformer	Technical Department	Kgwebiswano Supplies & Service	220 020,00	Exceptional case - Impractical or impossible to follow the official procurement process	15/01/2016
4	Repair on the spring change CS-service HA1/ZC level	Technical Department	ABB South Africa (Pty)Ltd	52 440,00	Repair and maintenance - on strip and quote	06/08/2015
5	Cost of placing a notice / Regulation In a ordinary Government Gazette	Finance Department	Government Printing Works	1 000,01	Goods only available from a single provider only	08/07/2016
6	Repair of vehicle, HKB 467MP	Community Services	Imperial Toyota Nelspruit	6 264,86	Repair and maintenance - on strip and quote	23/08/2016
7	Repair of vehicle, FHB 129 MP	Community Services	Motomid (Pty)Ltd	34 455,30	Repair and maintenance - on strip and quote	23/08/2016
8	Purchase of electrical crimpers	Technical Services	Omphile Electrical and Construction	40 410,72	Non-Submission of quotations by other service providers whom requests were sent to	31/08/2016
9	Operating Municipal water plants to pump water	Technical Services	B W Bernadie	7 500,00	Goods available from a single service provider as the situation was not normal during the Municipal employees strike	16/03/08
10	Repair of vehicle, HHS 266 MP	Community Services	LYOTOY MOTORS (PTY)LTD	8 473,51	Repair and maintenance - on strip and quote	09/09/2016
11	Repair of vehicle, DKD 411 MP	Corporate Services	LYOTOY MOTORS (PTY)LTD	26 051,77	Repair and maintenance - on strip and quote	09/09/2016
12	Supply and Install HT joint	Technical Services	Kgwebiswano Supplies and Services	34 542,00	Emergency, Repair and maintenance - on strip and quote	24/10/2016
13	Supply CRT Pumpset	Technical Services	Arnesto Investment	22 674,60	Emergency	09/09/2016
14	SL 32-250C Salflo Pumpset	Technical Services	Arnesto Investment	40 044,78	Repair and maintenance - on strip and quote	22/09/2016
15	Accommodation	Municipal Manager	Linga Longa Guest House	239 776,20	Exceptional case - Impractical or impossible to follow the official procurement process	22/11/2016
16	Strip & Quote for Cherry Picker truck CRK 558 MP / Engine Overhaul	Technical Department	Imperial Group (Pty)Ltd	167 496,83	Repair and maintenance - on strip and quote since the truck had to be taken to the direct dealer of its brand (Imperial - Hino - Toyota)	21/12/2017
17	Traffic Uniforms for Municipal Staff	Community Department	Supplycor CC	112 609,90	Exceptional case - Impractical or impossible to follow the official procurement process since other uniform items were not part of the scope in terms of the contract entered into with the appointed service provider (Kgopadiro)	22/12/2016
18	Repair of Cylinder Head CYK 033 MP	Technical Department	Dieseltch Engineering (Pty)Ltd	9 582,39	Repair and maintenance - on strip and quote as this part needed to be taken to an engineer for polishing, pressure testing and repairs	17/05/01
19	Strip & Repair of Bell TLB	Technical Department	Dieseltch Engineering (Pty)Ltd	14 474,13	Repair and maintenance - on strip and quote as this cylinder had to be taken to an engineer for polishing, pressure testing and repairs	17/05/01
20	Repair of Cylinder Head DJX 981 MP	Technical Department	Dieseltch Engineering (Pty)Ltd	9 330,66	Repair and maintenance - on strip and quote as this part needed to be taken to an engineer for polishing, pressure testing and repairs	17/05/01
21	Repair 15kw Motor	Technical Department	Magnavolt Trading 819 CC	9 000,30	Repair and maintenance - on strip and quote since there is no longer any existing contract for the repairs of these Motor and Pumps entered into and this was treated as an emergency	20/09/2016
22	Supply Installation of MV Jointing kit 35x3 core	Technical Department	Kgwebiswano Supplies and Services	29 070,00	Jointings were needed as a matter of Emergency and the Municipality does not have any contract entered into in terms of Supply of Hardware items	17/06/01
23	Supply & Installation of 9m wooden pole (150 - 180) diameter	Technical Department	Kgwebiswano Supplies and Services	32 889,00	Wooden Poles were needed as a matter of Emergency and the Municipality does not have any contract entered into in terms of Supply of Hardware items	17/06/01
24	Supply fuse 12kv OHGMA 31.5A	Technical Department	Kgwebiswano Supplies and Services	9 849,60	Fuses were needed as a matter of Emergency and the Municipality does not have any contract entered into in terms of Supply of Hardware items	17/06/01
25	Repair on Electrical control	Technical Department	Magnavolt Trading 819 CC	124 852,80	Repair and maintenance - on strip and quote since there is no longer any existing contract for the repairs of these Motor and Pumps entered into and this was treated as an emergency	23/12/2016
26	Repair robot Pump	Technical Department	Magnavolt Trading 819 CC	60 157,80	Repair and maintenance - on strip and quote since there is no longer any existing contract for the repairs of these Motor and Pumps entered into and this was treated as an emergency	22/12/2016
27	Repair on 75kw 380volts electric motor	Technical Department	Magnavolt Trading 819 CC	68 274,60	Repair and maintenance - on strip and quote since there is no longer any existing contract for the repairs of these Motor and Pumps entered into and this was treated as an emergency	21/12/2016
28	Repair Correll 4NHTB-RP-F18DBK	Technical Department	Babata Pumps (Pty)Ltd	107 700,08	Repair and maintenance - on strip and quote since there is no longer any existing contract for the repairs of these Motor and Pumps entered into and this was treated as an emergency	20/12/2016
29	Chemicals	Technical Department	Chem-Tech Chemical Services CC	488 719,71	Chemicals were needed as a Emergency and the Municipality was not in a possession to procure the same from Blendtech being the appointed service provider on this regard	31/10/2016
30	Supply 15kw 380volts 4pole Foot Mount Electric Motor	Technical Department	Magnavolt Trading 819 CC	23 062,20	Repair and maintenance - on strip and quote on an emergency basis where the	27/03/2017
31	Repair on Electrical control at Waterval Boven under Breakdown	Technical Department	Magnavolt Trading 819 CC	124 852,80	Emergency, Prevalence of human suffering or deprivation of rights, where	23/12/2016
32	Advertisement of posts: Senior Managers	Corporate Services	Basadzi Personnel and Media	38 223,94	Other exceptional case where it is impractical or impossible to follow the	17/05/04

33	Public Notice for Inspection of Supplementary Valuation	Finance Department	Government Printing Works	3 000,00	Goods or Services are produced or available from a single provider only	25/05/2017
34	Supply, Delivery, Installation, Testing and Commissioning of 96124083-CR-90-S	Technical Department	BuddyJam Express CC	303 810,00	Emergency. Repair and maintenance - on strip and quote	17/11/05
35	Battery Leadacid Sealed Rechargeable 12Ah 12V 98x151x95mm (ProLaser / LIDAR with Video)	Community Services	Truvelo Manufacturers (Pty)Ltd	1 842,95	Goods or Services are produced or available from a single provider only	31/05/2017
36	Supply and Install 5m distance piece 35x3 core. Supply and install jointing kit.	Technical Department	Kgwebiswano Supplies & Services	32 290,50	Emergency. Prevalence of human suffering or deprivation of rights. Possible of damage to property, or suffering and death of livestock and animals, as the Community members were without electricity	24/03/2017
37	1000 Hours Service and Extra Repairs-Dozer	Technical Department	Beil Equipment Sales	79 974,59	Repair and maintenance-on strip and quote	24/06/2016
38	Calibration of a Pro-Laser/ truvelo lidar (Speed camera)	Community Services	Truvelo Manufacturers Pty (Ltd)	3 290,16	Goods or Services are produced or available from a single provider only. Repair and maintenance-on strip and quote	

2 372 971,83